

**SAUDI KAYAN PETROCHEMICAL COMPANY
(SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY – IN DEVELOPMENT STAGE)**

**INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY – IN DEVELOPMENT STAGE)

INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE THREE MONTHS ENDED MARCH 31, 2011

INDEX	PAGE
Auditors' report (limited review)	1
Interim balance sheet	2
Interim statement of pre-operating activities	3
Interim statement of cash flows	4
Interim statement of stockholders' equity	5
Notes to the interim financial statements	6 – 10

AUDITORS' REPORT (LIMITED REVIEW) ON INTERIM FINANCIAL STATEMENTS

To the stockholders
Saudi Kayan Petrochemical Company (Saudi Kayan)
Al-Jubail, Saudi Arabia

Scope of Review


We have reviewed the interim balance sheet of Saudi Kayan Petrochemical Company (Saudi Kayan) ("Saudi Joint Stock Company"- in development stage) as of March 31, 2011 and the related interim statements of pre-operating activities, cash flows and stockholders' equity for the three months then ended, and notes 1 to 9 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with generally accepted accounting standards.

Deloitte & Touche
Bakr Abulkhair & Co.


Nasser M. Al-Sagga
License No. 322
6 Jumada I, 1432
April 10, 2011



SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY – IN DEVELOPMENT STAGE)

INTERIM BALANCE SHEET
AS OF MARCH 31, 2011

	Note	2011 SR 000 (Un-audited)	2010 SR 000 (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents	3	1,432,186	703,135
Accounts receivable		1,657,121	-
Other receivables and prepayments		157,976	129,691
Inventories		947,159	-
Total current assets		4,194,442	832,826
Non-current assets			
Cost of projects under construction	4	40,920,974	35,179,056
Other non-current assets		41,242	19,013
Total non-current assets		40,962,216	35,198,069
TOTAL ASSETS		45,156,658	36,030,895
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long term debts	8	586,578	-
Accounts payable		498,628	399,215
Accrued and other current liabilities		1,239,013	796,704
Total current liabilities		2,324,219	1,195,919
Non-current liabilities			
Long term debts	8	27,287,603	19,293,698
Other non-current liabilities		90,615	67,882
Total non-current liabilities		27,378,218	19,361,580
Stockholders' equity			
Share capital	1	15,000,000	15,000,000
Statutory reserve	5	49,408	49,408
Retained earnings		404,813	423,988
Total stockholders' equity		15,454,221	15,473,396
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		45,156,658	36,030,895

The accompanying notes form an integral part of these interim financial statements

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM STATEMENT OF PRE-OPERATING ACTIVITIES
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	2011	2010
	SR 000	SR 000
	(Un-audited)	(Un-audited)
Pre-operative and other expenses	<u>(3,461)</u>	<u>(3,676)</u>
Net loss from pre-operating activities before zakat	<u>(3,461)</u>	<u>(3,676)</u>
Zakat	<u>(4,871)</u>	<u>(93)</u>
NET LOSS FOR THE PERIOD FROM PRE-OPERATING ACTIVITIES	<u>(8,332)</u>	<u>(3,769)</u>
Loss per share for the period (in SR)	<u>6 (0.006)</u>	<u>(0.003)</u>

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	2011	2010
	SR 000	SR 000
	(Un-audited)	(Un-audited)
PRE-OPERATING ACTIVITIES		
Net loss from pre-operating activities before zakat	(3,461)	(3,676)
Changes in:		
Accounts receivable	(359,480)	-
Other receivables and prepayments	(38,377)	37,923
Inventories	(448,788)	-
Accounts payable, accrued and other current liabilities	(100,768)	(1,061,917)
Other non-current liabilities	2,063	6,134
Net cash used in pre-operating activities	(948,811)	(1,021,536)
INVESTING ACTIVITIES		
Additions to projects under construction	(363,736)	(929,374)
Other non-current assets	(7,053)	2,029
Net cash used in investing activities	(370,789)	(927,345)
FINANCING ACTIVITIES		
Proceeds from long term debts	1,784,754	180,228
Net cash from financing activities	1,784,754	180,228
Net change in cash and cash equivalents	465,154	(1,768,653)
Cash and cash equivalents, January 1	967,032	2,471,788
CASH AND CASH EQUIVALENTS, MARCH 31	1,432,186	703,135

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Total SR 000
January 1, 2010	15,000,000	49,408	427,757	15,477,165
Net loss for the period from pre-operating activities	-	-	(3,769)	(3,769)
March 31, 2010	15,000,000	49,408	423,988	15,473,396
January 1, 2011	15,000,000	49,408	413,145	15,462,553
Net loss for the period from pre-operating activities	-	-	(8,332)	(8,332)
March 31, 2011	15,000,000	49,408	404,813	15,454,221

The accompanying notes form an integral part of these interim financial statements

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY – IN DEVELOPMENT STAGE)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

1. ORGANIZATION AND ACTIVITIES

Saudi Kayan Petrochemical Company (Saudi Kayan) (“the Company”) is a Saudi Joint Stock Company, in the development stage, registered under commercial registration number 2055008450 dated 26 Jumada I, 1428 (June 12, 2007). The authorized, issued and fully paid share capital of the Company, amounting to SR 15,000 million, is divided into 1,500 million shares of SR 10 each.

The principal activity of the Company is to invest in industrial projects in the petrochemical and chemical fields and owning and constructing the industrial projects to support the Company’s activities including raw materials and other within and outside the Kingdom, operating and managing the industrial projects build by the Company and to provide the support and maintenance of the utilities related to these plants and gaining the technical expertise in petrochemical and chemical fields through co-operation and purchasing from others.

The Company’s principal place of business is at Jubail Industrial City, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Use of estimates

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

c) Inventories

Finished goods, chemicals and raw materials are stated at the lower of cost or net realizable value. Cost of finished goods, chemicals and raw materials, spare parts and supplies is determined on a weighted average cost basis. Inventories of finished goods include cost of materials, labor and an appropriate portion of direct overheads.

d) Pre-operative expenses

Pre-operative expenses include expenses not directly attributable to the construction costs of the Company and which do not have future benefits.

e) Cost of projects under construction

Cost of projects under construction represents the costs incurred for the construction of various projects and are accounted for at cost.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

f) Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

g) Foreign currency translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to statement of pre-operating activities.

h) Provisions for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

i) Borrowing costs

Borrowing costs directly attributable to the projects under construction are added to the cost of the projects until such time as the assets are ready for their intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the projects under construction is deducted from the borrowing costs eligible for capitalization.

j) End-of-service indemnities

End-of-service indemnities, required by the Company's policies and the Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

k) Employees' home ownership program

The Company has a home ownership program that offers eligible Saudi employees home ownership opportunities.

Unsold housing units constructed for eventual sale to eligible employees are included under buildings and depreciated over 33 years.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

When the houses are allocated to the employees, the cost of houses constructed and sold to the employees under the program is transferred from property and equipment to other non-current assets. Down payments and installments of purchase price received from employees are set off against the other non-current assets.

The cost of the houses and the related purchase price is removed from other non-current assets when the title to the houses is transferred to the employees, at which time, no significant gain or loss is expected to result to the Company.

l) Employees' Savings Plan

The Company maintains an employee saving plan. The contributions from the participants are deposited in a separate bank account and provision is established for the Company's contribution.

m) Zakat

The Company is subject to zakat in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is calculated and accrued for the quarter based on estimation. Zakat is recorded at the period end based on period end figures and any difference between the estimate and the actual is adjusted at that time. Any difference between the estimate and final assessment is recorded when settled.

n) Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and murabaha investments with original maturities of three months or less.

	March 31, 2011 SR 000	March 31, 2010 SR 000
	(Un-audited)	(Un-audited)
Cash and bank balances	327,436	260,635
Islamic murabaha investments	1,104,750	442,500
	1,432,186	703,135

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

4. COST OF PROJECTS UNDER CONSTRUCTION

Cost of projects under construction represents the costs incurred by the Company for the construction of industrial projects in the petrochemical and chemical fields and to produce propylene, ethylene, benzene, cumene, phenol, acetone, polyethylene, polypropylene, ethylene glycol, bisphenol, ethanolamines, polycarbonate and ethoxylates and other petrochemical products and related facilities at Jubail Industrial City, Kingdom of Saudi Arabia. Construction related costs at March 31, 2011 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the management. Also included were costs of testing to ensure the plants are working properly, and after deducting net proceeds from the sale of production made during the testing phase. Directly attributable costs include employee benefits, site preparation and installation costs, licensing fees, professional fees and project management fees. The total costs and expenses incurred on projects under construction up to March 31, 2011 amounting to SR 41.4 billion (2010: SR 35.4 billion) out of this SR 251.4 million has been reclassified as spare parts inventory. The Company during the period, in accordance with the accounting standards, charged SR 8.3 million (2010: SR 3.8 million) to the pre-operating expenses. The Company charged SR 225.0 million to the statement of pre-operating activities from inception (June 12, 2007) to March 31, 2011.

Finance cost capitalized during the period ended March 31, 2011 amounted to SR 85.45 million (2010: SR 40.97 million).

The Company has leased land for plant and equipment and buildings from the Royal Commission for Jubail and Yanbu at nominal rent. The lease is for a period of 30 years commencing from 21 Rabi'I, 1428H (corresponding to April 9, 2007) and is renewable for a similar period under mutual agreed terms and conditions.

5. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of associations, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is non cash item and not available for dividend distribution.

6. LOSS PER SHARE

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding amounting to 1,500 million shares.

7. CONTINGENCIES AND COMMITMENTS

	March 31, 2011 SR 000	March 31, 2010 SR 000
	(Un-audited)	(Un-audited)
Letters of guarantee	11,448	13,773
Letters of credit	562,500	570,184

At March 31, 2011, the Company had outstanding capital commitments of SR 3,884.0 million (2010: SR 5,107.6 million) in respect of cost of projects under construction.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY – IN DEVELOPMENT STAGE)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

8. FINANCING ARRANGEMENTS

The Company has obtained financing totaling SR 22.5 billion to be paid over a period not exceeding 15 years to cover projects construction costs. This amount has been arranged by local, government and international financial institutions. The Company has utilized SR 21.8 billion up to March 31, 2011, while the remaining facilities are expected to be utilized in the coming periods.

In 2010, a new facility of SR 4.5 billion was obtained from a local commercial bank. This facility is guaranteed by SABIC and an amount of SR 4.5 billion has been utilized upto March 31, 2011.

Additionally, in accordance with the support agreement with the major shareholder (SABIC) to finance the additional funding required to complete the project under construction, SABIC will maintain 35% ownership in the Company during period of loans. The Company has utilized SR 1.6 billion upto March 31, 2011 from the above facility from SABIC.

9. RESULTS OF INTERIM PERIOD

The results of the interim period are not an indication of the results for the year.