

**SAHARA PETROCHEMICAL COMPANY AND
SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED JUNE 30, 2008**

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008

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AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders
Sahara Petrochemical Company
Riyadh, Saudi Arabia.

Scope of Review


We have reviewed the consolidated interim balance sheet of Sahara Petrochemical Company ("Saudi Joint Stock Company") and Subsidiary as of June 30, 2008 and the related consolidated interim statements of operations for the three month and six month periods then ended and cash flows for the six months then ended, and notes 1 to 6 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated 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 consolidated interim financial statements for them to be in conformity with generally accepted accounting principles.

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July 9, 2008

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2008

	2008 SR 000	2007 SR 000
	(Unaudited)	(Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	103,005	297,488
Other receivables and prepayments	2,727	2,989
Total current assets	105,732	300,477
Non-current assets		
Investment in associate	764,256	788,305
Cost of projects under development	17,219	1,036
Project under construction	2,716,377	1,284,032
Property and equipment	3,228	936
Intangible assets	105,205	58,217
Total non-current assets	3,606,285	2,132,526
TOTAL ASSETS	3,712,017	2,433,003
LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST		
Current liabilities		
Due to banks	108,000	-
Accounts payable and other liabilities	15,374	13,904
Zakat and income tax payable	1,223	61
Total current liabilities	124,597	13,965
Non-current liabilities		
Long term loans	699,789	-
Advances against Islamic facilities	450,120	-
Interest rate swap	51,860	-
End-of-service indemnities	5,300	3,594
Retentions payable	110,580	41,975
Total non-current liabilities	1,317,649	45,569
Stockholders' equity and minority interest		
Share capital	1,875,000	1,500,000
Statutory reserve	69	48,658
Other reserves	(66,969)	-
Retained earnings	87,812	437,914
Total stockholders' equity	1,895,912	1,986,572
Minority interest	373,859	386,897
Total stockholders' equity and minority interest	2,269,771	2,373,469
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST	3,712,017	2,433,003

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

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008

	From April 1 to June 30		From January 1 to June 30	
	2008	2007	2008	2007
	SR 000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues				
Murabaha and other income	-	5,577	56	11,983
Share of income from associate	869	819	3,427	1,628
Total revenue	869	6,396	3,483	13,611
Costs and expenses				
General and administrative expenses	9,017	4,252	17,867	7,862
Pre-operative and floatation costs	679	-	1,326	-
Total costs and expenses	9,696	4,252	19,193	7,862
Net (loss) income before minority interest and zakat	(8,827)	2,144	(15,710)	5,749
Minority interest	(169)	1,079	(331)	2,502
Net (loss) income before zakat	(8,658)	1,065	(15,379)	3,247
Zakat	(35)	(49)	(57)	(104)
NET (LOSS) INCOME	(8,693)	1,016	(15,436)	3,143
(Loss) earning per share for the period (in SR)	(0.05)	0.01	(0.08)	0.02
Loss per share from continuing main operations (in SR)	(0.05)	(0.02)	(0.08)	(0.04)
Earning per share from other operations (in SR)	-	0.03	-	0.06
Weighted average number of shares	187,500,000	187,500,000	187,500,000	187,500,000

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**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008**

	2008	2007
	SR 000	SR 000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net (loss) income before zakat	(15,379)	3,247
Adjustments for:		
Depreciation	314	101
Write-off of property and equipment	61	-
End-of-service indemnities	1,612	1,525
Share of income from associate	(3,427)	(1,628)
Minority interest	(331)	2,502
Loss on disposal of property and equipment	-	12
Changes in operating assets and liabilities:		
Other receivables and prepayments	(781)	(1,812)
Accounts payable and other liabilities	(62,831)	(70,899)
Retentions payable	24,993	21,747
Cash used in operations	(55,769)	(45,205)
Zakat paid	(400)	(4,305)
Net cash used in operating activities	(56,169)	(49,510)
INVESTING ACTIVITIES		
Additions to property and equipment	(2,136)	(561)
Additions to cost of projects under development	(5,993)	(509)
Additions to project under construction	(623,644)	(458,079)
Additions to intangible assets	(6,708)	(5,883)
Net cash used in investing activities	(638,481)	(465,032)
FINANCING ACTIVITIES		
Due to banks	(121,000)	-
Proceeds from long term loans	499,789	-
Advances against Islamic facilities	337,590	-
Reimbursement of income tax from minority shareholder	114	-
Net cash from financing activities	716,493	-
Net change in cash and cash equivalents	21,843	(514,542)
Cash and cash equivalents, January 1	81,162	812,030
CASH AND CASH EQUIVALENTS, JUNE 30	103,005	297,488

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

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008**

1. ORGANIZATION AND ACTIVITIES

Sahara Petrochemical Company ("the Company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada 1, 1425 (July 7, 2004). The authorized, issued and fully paid share capital of the Company, amounting to SR 1,500 million, is divided into 150 million shares of SR 10 each.

During March 2007, the Board of Directors proposed to increase the share capital of the Company through transfer of SR 375 million from retained earnings and statutory reserve by issuing 37.5 million bonus shares (one share for every four shares held by the existing stockholders) and also by issuing 100 million rights shares totalling SR 1,000 million to be issued to the existing shareholders (two shares for every three shares held by the stockholders). This will increase the capital of the Company to SR 2,875 million, with amounts raised being for the purpose of funding the new projects. In July 2007, the stockholders of the Company in their extraordinary general assembly meeting approved the proposal of Board of Directors to increase the share capital by SR 375 million through capitalization of the statutory reserves and part of retained earnings (one share for every four shares held by the existing stockholders at the date of the extraordinary general meeting). The legal formalities for increase in share capital by issuance of bonus shares have been completed in July 2007. The legal formalities associated with issuance of the additional right shares are still in progress at the period end.

On September 2, 2006, Al Waha Petrochemical Company ("the Subsidiary"), a Saudi limited liability company registered under commercial registration number 2055007751 was incorporated with a share capital of SR 1,237.5 million. The Subsidiary is owned 75% by the Company and 25% by Basell Arabia Investments. Through a shareholders resolution dated December 19, 2006, the shareholders of the Subsidiary agreed to increase the share capital by an amount of SR 310.1 million to revise the share capital to SR 1,547.6 million. The legal formalities for increase in share capital were completed during 2007.

The principal activities of the Company and its Subsidiary ("the Group") are to invest in industrial projects in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group incurs costs on projects under development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group will be transferred to separate companies when they are established.

In April 2006, the Company contributed SR 781.2 million as its 32.55% share in Tasnee and Sahara Olefins Company ("the Associate"), a closed Saudi Joint Stock Company, an associated company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated 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 and its Subsidiary:

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiary controlled by the Company prepared up to June 30. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated in preparing the consolidated interim financial statements.

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008**

Accounting convention

The consolidated interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of 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.

Revenue recognition

Income from murabaha placements and deposits are recognized on an accrual basis.

Expenses

General and administrative expenses generally comprise of salaries and related expenses of staff involved in such activities, rent, subscription etc. Costs related to projects under development are capitalized.

Investment in associate

An associate is an enterprise in which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of investee. The results and assets and liabilities of the associated company are incorporated in these financial statements using the equity method of accounting based on the latest available financial information. Where reliable financial data is not available, the associate company is recorded at cost and related income is recognized when dividends are received. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Intangible assets

Intangible assets mainly comprise a front end fee related to the loan from Saudi Industrial Development Fund ("SIDF") and debt acquisition and arrangement fees relating to the Islamic facilities.

These costs are being amortized over the period of the loans and the amortization is capitalized as part of projects under constructions up to the date of commencement of commercial production and subsequently charged to the statement of income.

Cost of projects under development

Cost of projects under development represents costs incurred for the study and development of industrial projects and are accounted for at cost. Upon successful development of the projects, costs associated with the project will be transferred to the respective company subsequently established for each project. Costs are written-off when projects are deemed not feasible.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method.

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Vehicles	4
Computer, furniture, fixtures and office equipment	2-10

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008**

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions, except changes in the fair value of derivative financial instruments that are designated as effective hedge for certain foreign currency risks, are included in the interim consolidated statement of operations.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Zakat

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

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period end net income and any difference between the amount appropriated and the actual is adjusted at the fourth quarter.

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.

Borrowing costs

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

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the interim consolidated statement of operations as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the interim consolidated statement of operations. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the interim consolidated statement of operations.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2008

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated interim statement of operations in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

3. EARNINGS PER SHARE

Earnings per share from net income after zakat is computed by dividing net (loss) income for the period by the weighted average number of shares outstanding.

Earnings per share from the continuing main operations is computed by dividing operating (loss) income less minority interest less zakat for the period by the weighted average number of shares outstanding.

4. CONTINGENCIES AND COMMITMENTS

	2008	2007
	SR 000	SR 000
Forward foreign exchange contracts	31,022	481,652
Letters of credit	40,614	-

As at June 30, 2008, the Group had outstanding capital commitments amounting to SR 583.17 million (2007: SR 1,825.22 million)

5. RESULTS OF INTERIM PERIOD

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

6. COMPARITITVE FIGURES

Comparative figures for 2007 have been reclassified to conform with presentation in current period.