

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

INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE PERIOD FROM INCEPTION (JUNE 12, 2007)
TO JUNE 30, 2008

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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AUDITORS' REPORT (LIMITED REVIEW) ON INTERIM FINANCIAL STATEMENTS

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

Scope of Review

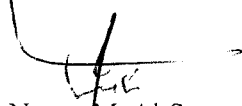
We have reviewed the interim balance sheet of Saudi Kayan Petrochemical Company (Saudi Kayan) ("Saudi Joint Stock Company"- in development stage) as of June 30, 2008 and the related interim statements of pre-operating activities for the three months then ended and the period from inception (June 12, 2007) to June 30, 2008 and cash flows for the period from inception (June 12, 2007) to June 30, 2008, 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 Rajab, 1429
July 9, 2008



SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM BALANCE SHEET
AS OF JUNE 30, 2008

	Note	SR 000
		(Un-audited)
ASSETS		
Current assets		
Cash and cash equivalents	3	5,801,340
Other receivables and prepayments		<u>62,625</u>
Total current assets		<u>5,863,965</u>
Non-current assets		
Cost of projects under construction	4	10,273,127
Other non-current assets		<u>29,569</u>
Total non-current assets		<u>10,302,696</u>
TOTAL ASSETS		<u>16,166,661</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Due to related parties		13,315
Accounts payable and other liabilities		<u>631,582</u>
Total current liabilities		<u>644,897</u>
Non-current liabilities		
Other non-current liabilities		<u>43,931</u>
Stockholders' equity		
Share capital	1	15,000,000
Statutory reserve	5	47,783
Retained earnings		<u>430,050</u>
Total stockholders' equity		<u>15,477,833</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>16,166,661</u>

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 THREE MONTH AND THE PERIOD FROM INCEPTION
(JUNE 12, 2007) TO JUNE 30, 2008

	From April 1, 2008 to June 30, 2008 SR 000	From inception (June 12, 2007) to June 30, 2008 SR 000
	(Unaudited)	(Note 1) (Unaudited)
Islamic murabaha income	51,575	644,841
Pre-operative and flotation costs	11,405	(152,621)
Other expenses, net	(5)	(229)
Net income before zakat	62,975	491,991
Zakat	(3,290)	(14,158)
NET INCOME	59,685	477,833
Earnings per share for the period (in SR)	0.04	0.32

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 CASH FLOWS
FOR THE PERIOD FROM INCEPTION (JUNE 12, 2007) TO JUNE 30, 2008**

	<u>SR 000</u>
	(Unaudited)
PRE-OPERATING ACTIVITIES	
Net income before zakat	491,991
Changes in:	
Other receivables and prepayments	(62,625)
Other non-current assets	(29,569)
Due to related parties	13,315
Accounts payable and other liabilities	617,424
Other non-current liabilities	43,931
Net cash from pre-operating activities	<u>1,074,467</u>
INVESTING ACTIVITIES	
Additions to cost of projects under construction	<u>(10,273,127)</u>
Net cash used in investing activities	<u>(10,273,127)</u>
FINANCING ACTIVITIES	
Proceeds from issuance of share capital	<u>15,000,000</u>
Net cash from financing activities	<u>15,000,000</u>
Net change in cash and cash equivalents	5,801,340
Cash and cash equivalents, June 12, 2007	<u>-</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	<u><u>5,801,340</u></u>

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

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCEPTION (JUNE 12, 2007) TO JUNE 30, 2008**

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.

As per the Article of Association of the Company, the first financial year of the Company shall cover the period from the inception of the Company until the 31st December of the following Gregorian year. As no financial statements for the comparative period are available, these financial statements are not included the comparative figures for the year 2007.

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 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:

Accounting convention

The 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 accrual basis.

Pre-operating expenses

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

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 PERIOD FROM INCEPTION (JUNE 12, 2007) TO JUNE 30, 2008**

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.

End-of-service indemnities

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

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.

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.

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.

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.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
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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.

	<u>SR 000</u>
Cash and bank balances	540,340
Islamic murabaha investments	5,261,000
	<u>5,801,340</u>

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, methylamines, dimethyl formamide, choline chloride, polycarbonate and ethoxylates and other petrochemical products and related facilities at Jubail Industrial City, Kingdom of Saudi Arabia. Construction related costs at June 30, 2008 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. Directly attributable costs include employee benefits, site preparation and installation costs, licensing fees, professional fees and project management fees. The total costs and expenses of projects under construction up to June 30, 2008 amounting to SR 10,425.98 million. The Company during the period, in consistency with the accounting standards, charged SR 152.85 million to the pre-operating expenses.

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, 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. 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 time of completion of first accounting year i.e. December 31, 2008.

6. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the period by the weighted average number of shares outstanding amounting to 1,500 million shares.

7. CAPITAL COMMITMENTS

At June 30, 2008, the Company had outstanding capital commitments of SR 27,227 million in respect of cost of projects under construction.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
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8. FINANCING ARRANGEMENTS

The Company obtained loans arrangements and commitments for financing of 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. These loans were not utilized as at the period end.

9. RESULTS OF INTERIM PERIOD

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