

INDEPENDENT AUDITORS' REPORT

SHAREHOLDERS OF SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)

We have audited the accompanying consolidated balance sheet of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** as of December 31, 2008 and the related statements of income, cash flows and consolidated changes in shareholders equity for the year then ended, and the notes from 1 to 24 which are an integral part of these consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management in accordance with Article (123) of the Companies Regulations. Our responsibility is to express our opinion on these financial statements based on our audit and the information and explanations we obtained which we considered necessary for the purposes of our audit.

These financial statements were consolidated in accordance with international consolidation criteria, which do not conflict with generally accepted accounting principles in the Kingdom of Saudi Arabia

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above:

1. Present fairly, in all material respects, the consolidated financial position of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** as of December 31, 2008 and the results of its operations and its consolidated cash flows for the year then ended based on the presentation and disclosure of the information included in the consolidated financial statements and in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia which are suitable to the Company's operations as summarized in Note 2.
2. Comply with the consolidated financial statement preparation and presentation requirement of the Commercial Code and the Company's by-laws.



**AlAzem & AlSudairy
Certified Public Accountants**

**Salman B. AlSudairy
License No. 283**

19 Safar 1430H (February 15, 2009)
Riyadh, Saudi Arabia

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2008
(In Thousands Saudi Riyals)

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and bank balances (Note 3)	2,703,073	749,049
Accounts receivable	109,511	83,873
Inventory (Notes 2b and 4)	141,576	167,390
Investments in Government bonds (Note 2c)	254,708	501,608
Accrued Revenue	59,368	18,151
Prepayments and other assets	51,212	128,058
Deferred subscribing expenses, net (Notes 2d and 5)	<u>-</u>	<u>3,756</u>
Total current assets	3,319,448	1,651,885
Deferred Expenses, net (Note 2e and 6)	87,011	32,617
Long term investments	-	2,000
Projects Under Construction (Note 7)	2,235,551	2,260,096
Properties and Equipments, net (Note 2g and 8)	<u>3,007,018</u>	<u>1,017,168</u>
Total assets	<u>8,649,028</u>	<u>4,963,766</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	8,323	101,344
Accrued expenses and other liabilities (Note 9)	695,666	352,366
Current portion of long term loans (Note 10)	<u>50,265</u>	<u>-</u>
Total current liabilities	754,254	453,710
Long Term Loans (Note 10)	2,680,916	1,371,875
End of Service Benefits (Note 2h)	<u>16,630</u>	<u>12,555</u>
Total liabilities	<u>3,451,800</u>	<u>1,838,140</u>
Shareholders' Equity:		
Paid-up capital	4,500,000	2,250,000
Statutory reserve (Note 11)	184,465	179,590
Retained earnings	<u>512,763</u>	<u>696,036</u>
Total shareholders' equity	<u>5,197,228</u>	<u>3,125,626</u>
Total liabilities and shareholders' equity	<u>8,649,028</u>	<u>4,963,766</u>

The accompanying notes from (1) to (24) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands Saudi Riyals)

	<u>2008</u>	<u>2007</u>
Sales (Note 2i)	2,138,957	1,459,118
Costs of sales (Notes 2j and 12)	<u>(1,985,736)</u>	<u>(981,843)</u>
Gross profit	153,221	477,275
Selling and marketing expenses (Notes 2j and 13)	(46,677)	(25,278)
General and administrative expenses (Notes 2j and 14)	<u>(63,623)</u>	<u>(52,719)</u>
Net operating profit	42,921	399,278
Finance charges	(39,155)	(388)
Deferred subscription exp. Amortization (Notes 2d and 5)	(20,803)	-
Preoperating expenses amortizations (Notes 2f and 15)	(24,767)	-
Deferred Expenses amortizations (Note 2e)	(7,675)	-
Exchange losses (Note 2l)	(383)	-
Other income, net (Notes 2i and 16)	<u>108,149</u>	<u>60,234</u>
Net result from other operation	15,366	59,846
Net profit for the year before Zakat	58,287	459,124
Zakat (Notes 2k and 17)	<u>(9,535)</u>	<u>(21,746)</u>
Net profit for the year	<u>48,752</u>	<u>437,378</u>
Net profit per share - Saudi Riyal (Note 18)	<u>0.13</u>	<u>1.94</u>

The accompanying notes from (1) to (24) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands Saudi Riyals)

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Net profit for the year	48,752	437,378
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	125,013	65,031
Amortization	53,245	9,957
Prior years adjustments	(350)	2,130
Net loss on sale of property and equipment	-	33
End of Service Benefits	4,075	3,025
Changes in assets and liabilities:		
Accounts receivable	(25,638)	14,106
Inventory	25,814	(88,008)
Accrued Revenue	(41,217)	454
Deferred subscribing expenses	(17,047)	(1,351)
Prepayments and other assets	76,846	31,582
Accounts payable	(93,021)	358,556
Accrued expenses and other liabilities	<u>343,300</u>	<u>(312,443)</u>
Net cash provided by operating activities	<u>499,772</u>	<u>520,450</u>
Cash Flows from Investing Activities:		
Transfer and purchase of property and equipment	(2,114,863)	(312,449)
Proceeds from sale of property and equipment	-	4
Net change in Investments in Government bonds	246,900	119,130
Net change in Long term investments	2,000	(2,000)
Net change in Deferred Expenses	(62,069)	-
Projects Under Construction	24,545	(233,358)
Preoperating expenses	<u>(24,767)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,928,254)</u>	<u>(428,673)</u>
Cash Flows from Financing Activities:		
Net change in Loans	1,359,306	281,249
Increase in Capital	2,250,000	-
Dividend distribution	(225,000)	(225,000)
Board of director bonuses distribution	<u>(1,800)</u>	<u>(2,100)</u>
Net cash provided by financing activities	<u>3,382,506</u>	<u>54,149</u>
Net increase in cash and bank balances	1,954,024	145,926
Cash and bank balances at beginning of the year	<u>749,049</u>	<u>603,123</u>
Cash and bank balances at end of the year	<u>2,703,073</u>	<u>749,049</u>

The accompanying notes from (1) to (24) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands Saudi Riyals)

	<u>2008</u>	<u>2007</u>
Paid-up capital:		
Beginning of the year	2,250,000	2,250,000
Increase in Capital	<u>2,250,000</u>	<u>-</u>
End of the year	<u>4,500,000</u>	<u>2,250,000</u>
Statutory reserve (Note 11):		
Beginning of the year	179,590	135,852
Transfer from retained earnings	<u>4,875</u>	<u>43,738</u>
End of the year	<u>184,465</u>	<u>179,590</u>
Retained earnings:		
Beginning of the year	696,036	527,366
Dividend distribution	(225,000)	(225,000)
Board of director bonuses' distribution	(1,800)	(2,100)
Prior years adjustments	(350)	2,130
Transfer to statutory reserve	(4,875)	(43,738)
Net income for the year	<u>48,752</u>	<u>437,378</u>
End of the year	<u>512,763</u>	<u>696,036</u>
Total shareholders' Equity	<u>5,197,228</u>	<u>3,125,626</u>

The accompanying notes from (1) to (24) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands Saudi Riyals)

1. GENERAL

Saudi Industrial Investment Group is a Saudi Joint Stock Company founded according to the decree No. 291 issued by the Ministry of Commerce dated 29/6/1416H (corresponding to 23/11/1995). The Company is registered in the Kingdom of Saudi Arabia under the commercial registration No. 1010139946 issued in Riyadh dated 10/8/1416H (corresponding to 1/1/1996). The paid up capital of the Company is 4,500 four thousand and five hundred million Saudi Riyals comprising of 450 Million shares at a par value of Saudi Riyals 10 per share.

The principal activities of the Company are enhancing the growth and development of the industrial base of the Kingdom, mainly, the petrochemicals industry, opening more channels for the exportation of the products and more ways for the private sector in the Kingdom to enter the industrial market depending on petrochemical products after obtaining the required licenses from authorized departments.

The accompanying consolidated financial statements for the year ended December 31, 2008, 2007 comprise the Company's accounts and it's Affiliated Companies (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company in which the company owns 50% of their owner's equity without control and National Petrochemical Company – Petrochem in which the company owns 95% of their owner's equity and the local affiliated limited liability companies in which the company owns more than 50% of the owner's equity):

a) Saudi Chevron Phillips Company --

Saudi Chevron Phillips Company (S.C.P.C) is a mixed Saudi limited liability Company (capital S.R 655 million), located in Al Jubail Industrial City, Saudi Industrial Investment Group owns 50 % from S.C.P.C quotas and 50 % is owned by Arabian Chevron Phillips Petrochemical Limited Company. The Company produced the following products:

- Benzene
- Cyclohexane
- Gasoline

b) Jubail Chevron Phillips Company --

Jubail Chevron Phillips Company (J.C.P.C) is a Saudi limited liability mixed company under establishment (capital SAR 300million), located in Al Jubail Industrial City. Capital was increased by transferring loans granted from partners into company's capital which equaled SAR 1,477.5 million as of December 31, 2008. Saudi Industrial Investment Group owns 50% from J.C.P.C quotas and 50% is owned by Arabian Chevron Phillips Petrochemical Limited Company. The company will be producing the following products:

- Styrene
- Propylene

c) National Petrochemical Company – Petrochem --

National Petrochemical Company – Petrochem is a Saudi Closed Joint Stock Company (capital SAR 2,200 million), Saudi Industrial Investment Group owns 95 % from shares the principal activities of the Company are enhancing the growth, development, establishing, operating, managing and maintaining petrochemicals, gas, petroleum and other industrial factories. Wholesale and retail trading in petrochemical materials and products, owning lands, real estate and building for the company benefit.

d) Local Ltd. Company --

- Saudi Nylon Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Benzene Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Paraxylene Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Cyclohexane Company (95% from its capital amounted SAR 500 Thousand).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Saudi Arabia. The following is a summary of the Company's significant accounting policies:

a) Consolidation base --

The accompanying consolidated financial statements comprise the Saudi Industrial Investment Group financial statement as of December 31, 2008 and its affiliate companies according to the audited financial statement for the affiliate companies as of December 31, 2008, 2007 (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company which the Company owns 50% from its shares and National Petrochemical Company - Petrochem which the Company owns 95% from its shares) and for the purpose of preparing the consolidated financial statements, all affiliate balances and transaction were settled between the Company and them.

The interim consolidated financial statements for the company its affiliate (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company which the Company owns 50% from its shares) were made based on the congenital consolidation international criterion according to approval from Saudi Organization for Certified Public Accountants (SOCPA).

b) Inventory --

Inventories comprise of finished goods, work in process and raw materials and are stated at the lower of cost or estimated net realizable value. Costs of finished goods and work in process include raw materials, direct labor and manufacturing overheads. Costs of raw materials are calculated by using the weighted average method; appropriate provisions are made for slow moving and redundant inventories.

c) Investments in Government bonds --

Investments in Government bonds comprise of investments in government development bonds which are stated at cost. Gains are recognized when earned.

d) Deferred subscribing expenses --

Deferred subscribing expenses represent costs incurred during the priority rights' subscriptions period for the purpose of augmenting the company's capital. These expenses are amortized using the straight-line method over a period of 10 months in the year 2008 only.

e) Deferred expenses --

Deferred expenses are amortized using the straight-line method over a period of 10 years.

f) Preoperating expenses --

Preoperating expenses represent costs incurred during the formation period of the National Petrochemical Company – Petrochem and are amortized during 2008 only.

g) Property and equipment --

Property and equipment are stated at net cost of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

Plant and equipments	5% - 17%
Buildings	5%
Furniture and fixtures	10% - 15%
Motor vehicles	25%
Leases hold improvements	20%
Computers	15%
Computers software	30%
Telecommunication equipments	25%

h) End of service benefits --

Benefits payable to the employees at the end of their services are provided in accordance with the guidelines set by the Saudi Arabian Labor Law.

i) Revenue recognition --

Revenue is recognized when goods are delivered and invoices are issued to customers. Other income is recorded when earned.

j) Expenses –

Expenses incurred by the Company comprise of selling and marketing expenses, general and administrative expenses, and production costs. Production costs include raw materials, direct labor and indirect manufacturing expenses. All expenses related to marketing, selling and distribution of finished goods are classified under a separate line item as selling and marketing expenses. Other direct and indirect management expenses, which are not related to production or selling and marketing functions, are classified as general and administrative expenses. Un-allocated expenses, if any, are distributed between general and administrative expenses, selling and marketing expenses, and production costs using fixed basis.

k) Zakat –

Zakat is a company obligation and Estimated Zakat is provided for in the accompanying financial statements and charged to the statement of income. In accordance with Zakat standard issued by the Saudi Organization for Certified Public Accountants. difference between Zakat provision and final settlement is settled.

l) Translation of foreign currencies--

The accompanying financial statements are denominated in Saudi Riyals. Appropriate exchange rates have been used to translate transactions or balances denominated in foreign currencies. The related losses or gains were reported in the statement of income.

3. CASH AND BANKS BALANCES

Cash and banks balances comprised of the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Cash and banks balances	237,123	225,961
Time deposits	<u>2,465,950</u>	<u>523,088</u>
	<u>2,703,073</u>	<u>749,049</u>

4. **INVENTORY**

Inventory comprised of the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Raw materials	13,751	47,050
Finished goods	94,797	93,570
Spare parts	11,130	9,553
Chemical Catalyst	<u>21,898</u>	<u>17,217</u>
	<u>141,576</u>	<u>167,390</u>

5. **DEFERRED SUBSCRIPTION EXPENSES, NET**

Deferred subscription expenses comprised of the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Subscription expenses	20,803	3,756
Accumulated Amortization	<u>(20,803)</u>	<u>-</u>
Net	<u>-</u>	<u>3,756</u>

6. **DEFERRED EXPENSES, NET**

Deferred expenses comprised of the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Deferred expenses		
Beginning of the year	74,430	74,430
Addition	64,823	-
Disposal	<u>-</u>	<u>-</u>
End of the year	139,253	74,430
Accumulated Amortization		
Beginning of the year	(41,813)	(31,856)
Addition	(10,429)	(9,957)
Disposal	<u>-</u>	<u>-</u>
End of the year	(52,242)	(41,813)
Net	<u>87,011</u>	<u>32,617</u>

7. **PROJECTS UNDER CONSTRUCTION**

It represents company's contribution in the development of Saudi Polymers Company project, whose cost is expected to exceed SAR 20,8 billion, and will start operating by the end of 2011. Part of projects under construction stands for the expansion of Saudi Chevron Phillips Company's project, including advance payments for Nylon project. Note that costs for Jubail Chevron Phillips Company were transferred to property and equipment during September 2008.

8. PROPERTIES AND EQUIPMENTS, NET

Property and equipment comprised of the following (In Thousands Saudi Riyals) at December 31:

	Plant and equipments	Platinum	Buildings	Furniture and fixtures	Motor vehicles	Lease hold improvements	Computers'	Computers'. Software	Telecomm equipments	Total
<u>Cost</u>										
Beginning of the year	1,354,267	48,987	50,631	11,223	5,264	542	531	113	22	1,471,580
Additions during the year	2,096,344	-	15,671	723	1,952	29	85	34	25	2,114,863
Disposals during the year	-	-	-	-	-	-	-	-	-	-
End of the year	3,450,611	48,987	66,302	11,946	7,216	571	616	147	47	3,586,443
<u>Depreciations</u>										
Beginning of the year	426,076	-	14,885	8,999	3,939	189	297	22	5	454,412
Additions during the year	120,365	-	3,037	460	902	112	89	43	5	125,013
Disposals during the year	-	-	-	-	-	-	-	-	-	-
End of the year	546,441	-	17,922	9,459	4,841	301	386	65	10	579,425
<u>Net Book Value</u>										
December 31, 2008	2,904,170	48,987	48,380	2,487	2,375	270	230	82	37	3,007,018
December 31, 2007	928,191	48,987	35,746	2,224	1,325	353	234	91	17	1,017,168

Depreciation was amounted to SAR 125,013 and SAR 65,031 (In Thousands Saudi Riyals) for the years ended December 31, 2008, and 2007 respectively.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Other payable balances	274,193	100,890
Performance bonds (Retentions)	69,092	-
Accrued Zakat for 2007	12,116	21,746
Accrued Zakat for the current year	9,535	-
Accrued banks charges	4,933	23,460
Compensations for		
priority rights' subscriptions	3,187	-
Accrued dividends distribution	2,363	1,733
Accrued bonuses	-	606
Others	320,247	203,931
	<u>695,666</u>	<u>352,366</u>

10. LONG TERM LOANS

Following is a summary of long term loans balances as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Public Investment Fund (PIF)	603,750	543,750
Total loans from consortium	1,727,431	508,125
SIDF	<u>400,000</u>	<u>320,000</u>
Total loans	2,731,181	1,371,875
Current portion of long term loans		
Public Investment Fund (PIF)	6,037	-
Total loans from consortium	14,228	-
SIDF	<u>30,000</u>	<u>-</u>
Total Current portion of long term loans	<u>50,265</u>	<u>-</u>
Total long term loans	<u>2,680,916</u>	<u>1,371,875</u>

Total Saudi Industrial Investment Group shares from loans granted for J.C.P.C in support of financing factory's establishment (SAR 1,512 million as long term loans and SAR 50.3 million as current portion of long term loans). Long term loans were granted against the pledge of the factory and equipment, in addition to guarantees from Saudi Industrial Investment group equaling 50% of its capital shares.

Total Saudi Industrial Investment Group shares from loans agreed and granted from commercial banks to Saudi Polymers Company, in which Petrochem owns 50% of the shares, totaled SAR 4,629 million, from which SAR 1,219 thousand million were withdrew to finance construction of the factory against the pledge of property and equipment. Payments will be due within 6 months of operational phase, which is expected to start by the end of 2011. Total loans agreed but not withdrew totaled SAR 1,500 million for Public Investment Funds and SAR 600 million for Saudi Industrial Development fund also against the pledge of property and equipment.

11. STATUTORY RESERVE

In accordance with the Saudi Arabian Company's Regulations and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. This reserve is not available for dividend distribution.

12. COST OF SALES

During 2008, prices for Lakim provided for company's projects (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company), raised considerably, which increased production costs. Simultaneously, selling prices for the products decreased significantly during the fourth quarter for the year ended December 31, 2008, thus projects' profit for the period decreased too.

13. SELLING AND MARKETING EXPENSES

Selling and marketing expenses comprised of the following for the years ended December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Marketing fees	34,890	20,815
Freight, loading and shipment	9,532	3,098
Employees' salaries & benefits	1,137	891
Advertisement	707	395
Others	<u>411</u>	<u>79</u>
	<u>46,677</u>	<u>25,278</u>

14. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised of the following for the years ended December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Employees' salaries & benefits	21,393	22,736
Insurance	11,194	10,776
Rents	5,229	1,938
Services and IT support contracts	4,742	-
Depreciations	3,335	3,276
Postage and telephone	1,948	1,639
Bonuses	1,382	906
Professional and legal fees	1,145	431
Subscriptions and fees	951	417
Donations	500	1,000
Business trips	376	476
Training	194	133
Amortizations	-	4,268
Banks expenses	-	214
Others	<u>11,234</u>	<u>4,509</u>
	<u>63,623</u>	<u>52,719</u>

15. PREOPERATING EXPENSES, NET

Preoperating expenses comprised of the following as of December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Subscription expenses	24,767	-
Accumulated Amortization	(24,767)	-
Net	<u>-</u>	<u>-</u>

16. OTHER INCOME, NET

Other income comprised of the following for the years ended December 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>2008</u>	<u>2007</u>
Revenue from bank deposits	86,181	31,746
Revenue from Investments in Government bonds	21,919	28,531
Net capitalization loss	-	(34)
Others	<u>49</u>	<u>(9)</u>
Net	<u>108,149</u>	<u>60,234</u>

17. ZAKAT

- a) The company has obtained the Zakat clearance certificates for all years since inception up to December 31, 2000.
- b) The company paid all Zakat accrued for the following years:

<u>Financial year</u>	<u>Zakat Dep. Assessment</u>	<u>Payment based on Company's assessment</u>
2001	261,507	261,507

- c) The company provided assessment for the following years and Zakat department still did not issue the final Zakat assessment up to date:

<u>Financial year</u>	<u>Payment based on Company's assessment</u>
2002	28,740
2003	75,467
2004	258,862
2005	11,466,423
2006	16,603,811

18. EARNING PER SHARE

The earning per share for the period was determined after making the proper adjustments, according to the SOCPA standards for the shares profit. The net profit per share for the period was calculated by dividing the market price of the share before applying the priority rights, over the virtual cost of the share after applying the priority rights, and that for the period ending December 31, 2008, when the number of shares in question was 384, 750,000 share.

19. CAPITAL COMMITMENTS

Saudi Industrial Investment Group has SAR 50 million of unused capital expenditure commitment as of December 31, 2008 (2007: SAR 32,45 million) regarding to being a partner in Saudi Chevron Phillips Company by 50%.

Saudi Industrial Investment Group has SAR 11,7 million of unused capital expenditure commitment as of December 31, 2008 (2007: SAR 315 million) regarding to being a partner in Jubail Chevron Phillips Company by 50%.

Saudi Industrial Investment Group has a commitment to additional financing for the Jubail Chevron Phillips Company project amounted SAR 240 million as of December 31, 2008 (SAR 240 million as of December 31, 2007) by bank letter of guarantee against the mortgage of Government bonds at the same amount.

National Petrochemical Company-Petrochem, has a commitment of USD 750 million (SAR 2,812.5 million) towards each of the Saudi Polymers Company, as it is the project's company, and Smitumu Mitsu Bank as it is the representative of the crediting banks. This commitment stands for a bank letter of guarantee for the company's contribution in the capital of the Saudi polymers Company, in which the company owns 50% of the shares, against the pledge of a time deposit amounting to USD 375 million (SAR 1,406.3 million).

National Petrochemical Company-Petrochem has SAR 6,5 Billion of unused capital expenditure commitment as of December 31, 2008 regarding to being a partner in Saudi Polymers Company by 50% for petrochemical plant construction.

The Company is contingently liable for letter of guarantee issued by local bank to the benefit of the Ministry of Petroleum and Mineral Resources, in support of Nylon project against the pledge of Time deposit amounted SAR 250 millions, the letter of guarantee amounted SAR 562,5 millions.

The company is contingently liable for letter of guarantee, for Chevron Phillips Company, in support of the purchase of factory's Lakim. The share of the group from the letter totaled SAR 162,5 million (0 in 2007).

The company is contingently liable for letter of guarantee, for Jubail Chevron Phillips, in support of the purchase of factory's Lakim. The share of the group from the letter totaled SAR 424,5 million (0 in 2007).

20. SEGMENT INFORMATION

The Company and its affiliate are mainly involved in the petrochemical sector main markets are located in G.C.C countries, Middle East, Asia and Europe. We didn't draw the sector financial information for the affiliated companies since consolidated financial statements represent petrochemical sector only.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and its equivalents, accounts receivables and other assets, borrowings, accounts payable, accruals and other liabilities.

- **Credit risk:** is the risk that one party will fail to discharge on obligation and causes the other party to incur a financial loss. The affiliated companies seek to reduce its credit risk with respect to customers by regular monitoring of outstanding receivables.
- **Commission risk:** is the risk that the value of financial instruments will fluctuate due to change in the market commission rates. The affiliated companies are subject to commission rate risk, in accordance with commissions bearing term loans

- **Liquidity risk:** is the risk that the company and its affiliates will encounter difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. The affiliated companies manage its liquidity risk by ensuring that bank facilities and partners' contributions in the affiliated companies are available when needed.
- **Currency risk:** is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. The transactions of the company and its affiliates are principally in Saudi Riyals and U.S Dollars. Management keeps monitoring associated currency risk which is mostly not material.
- **Fair value:** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in a arm's length transaction. As the Company's consolidated financial instruments are prepared under the historical cost convention, differences can arise between book value and fair value estimates. Management believes that the fair values of the Company and its affiliates' financial assets and liabilities are not materially different from their carrying values.

22. RECLASSIFICATIONS

Certain reclassifications have been made to the financial statements for the Company and its affiliate companies for the year ended December 31, 2008 to conform to the classification used in the consolidated financial statements.

23. GENERAL

The figures in the financial statements are rounded to the nearest thousand Saudi Riyal.

24. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statement have been approved by the Board of Directors on February 21, 2009.