Saudi Industrial Investment Group and Its Subsidiary
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

SAUDI INDUSTRIAL INVESTMENT GROUP AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)

Scope of Audit

We have audited the accompanying consolidated balance sheet of Saudi Industrial Investment Group (the "Company") and its subsidiary (the "Group") as at 31 December 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

In our opinion, the consolidated financial statements taken as a whole:

i) Present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and its consolidated results of operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) Comply with the requirements of the Regulations for Companies and the Company's By-Laws, in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

ارنست ويونغ
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

Riyadh: 23 Rabi Al-Thani 1435H
(23 February 2013)

Saudi Industrial Investment Group and Its Subsidiary
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2013
(Amounts in SR '000)

	Note	2013	2012 (Restated, note 28)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**1,509,892**	1,176,373
Accounts receivable, prepayments and other assets	5	**817,451**	340,650
Amounts due from related parties	6	**152,922**	172,111
Inventories	7	**930,957**	429,100
TOTAL CURRENT ASSETS		**3,411,222**	2,118,234
NON-CURRENT ASSETS			
Employees loans	5	**14,554**	11,445
Deferred charges	8	**74,786**	107,183
Projects under construction	9	**-**	950,435
Investments in jointly controlled projects	10	**3,233,928**	2,910,243
Subordinated loans to jointly controlled projects	11	**270,000**	75,000
Property, plant and equipment	12	**18,369,579**	18,295,857
TOTAL NON-CURRENT ASSETS		**21,962,847**	22,350,163
TOTAL ASSETS		**25,374,069**	24,468,397
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities	13	**625,378**	444,384
Amounts due to related parties	6	**98,631**	50,510
Current portion of long term loans	14	**925,504**	565,043
Short term loans	15	**600,000**	-
Zakat	16	**176,635**	129,176
TOTAL CURRENT LIABILITIES		**2,426,148**	1,189,113
NON-CURRENT LIABILITIES			
Term loans	14	**11,967,831**	12,893,332
Subordinated loan from non-controlling partner in a subsidiary	17	**1,131,797**	764,297
Employees' terminal benefits		**22,064**	14,451
TOTAL NON-CURRENT LIABILITIES		**13,121,692**	13,672,080
TOTAL LIABILITIES		**15,547,840**	14,861,193
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	18	**4,500,000**	4,500,000
Statutory reserve		**433,654**	362,245
Retained earnings		**1,398,259**	1,207,389
TOTAL SHAREHOLDERS' EQUITY		**6,331,913**	6,069,634
Non-controlling interests		**3,494,316**	3,537,570
TOTAL EQUITY		**9,826,229**	9,607,204
TOTAL LIABILITIES AND EQUITY		**25,374,069**	24,468,397

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013
(Amounts in SR '000)

	Note	*2013*	*2012 (Restated, note 28)*
Sales		**4,436,677**	857,875
Cost of sales		**(3,710,162)**	(1,336,737)
GROSS PROFIT (LOSS)		**726,515**	(478,862)
Share in earnings of jointly controlled projects, net	10	**880,562**	825,577
Selling and marketing expenses	19	**(310,568**	(52,936)
General and administrative expenses	20	**(261,541)**	(162,154)
INCOME FROM MAIN OPERATIONS		**1,034,968**	131,625
Financial charges		**(202,974)**	(21,897)
Other (expenses) income, net	21	**(57,844)**	67,884
INCOME BEFORE NON-CONTROLLING INTEREST AND ZAKAT		**774,150**	177,612
Non-controlling interest share in net loss of the subsidiaries		**43,254**	453,159
INCOME BEFORE ZAKAT		**817,404**	630,771
Zakat	16	**(103,325)**	(92,103)
NET INCOME		**714,079**	538,668
EARNINGS PER SHARE (SR)	22		
Attributable to the income from main operations		**0.23**	0.29
Attributable to net income		**1.59**	1.20

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiary
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013
(Amounts in SR '000)

	2013	*2012 (Restated, note 28)*
OPERATING ACTIVITIES		
Income before zakat	**817,404**	630,771
Adjustments for:		
Depreciation and amortization	**819,419**	202,075
Employees' terminal benefits, net	**7,613**	4,503
Projects under construction written off	**62,396**	-
Share in earnings of jointly controlled projects, net	**(880,562)**	(825,577)
Non-controlling interest share in net loss of the subsidiaries	**(43,254)**	(453,159)
	783,016	(441,387)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	**(479,911)**	(164,182)
Inventories	**(501,857)**	(373,000)
Related parties, net	**67,310**	86,952
Accounts payable, accrued liabilities and other liabilities	**208,873**	149,419
Zakat paid	**(55,866)**	(93,471)
Net cash from (used in) operating activities	**21,565**	(835,669)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(583)**	(127,785)
Additions of investment in jointly controlled projects	**(361,873)**	(510,000)
Dividends received from a jointly controlled project	**918,750**	731,250
Projects under construction	-	(1,443,220)
Net cash from (used in) investing activities	**556,294**	(1,349,755)
FINANCING ACTIVITIES		
(Repayments) proceeds from term loans, net	**(565,040)**	121,597
Proceeds from short term loan	**600,000**	-
Subordinated loan to jointly controlled projects	**(195,000)**	-
Board of directors' remuneration	**(1,800)**	(1,800)
Subordinated loan from non-controlling partner in a subsidiary company	**367,500**	749,437
Dividends paid	**(450,000)**	(450,000)
Net cash (used in) from financing activities	**(244,340)**	419,234
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**333,519**	(1,766,190)
Cash and cash equivalents at the beginning of the year	**1,176,373**	2,942,563
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,509,892**	1,176,373
<u>**NON CASH TRANSACTION**</u>		
Property, plant and equipment transferred from project under construction (note 12)	**860,161**	18,358,762
Project under construction transferred to affiliates (note 9)	-	208,553

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiary
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013
(Amounts in SR '000)

	Attributable to the shareholders' equity					
	Share capital	*Statutory reserve*	*Retained earnings*	*Shareholders' equity total*	*Non-controlling interest*	*Total*
Balance as at 31 December 2011	4,500,000	308,379	1,174,387	5,982,766	3,990,729	9,973,495
Declared dividends (note 29)	-	-	(450,000)	(450,000)	-	(450,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	538,668	538,668	-	538,668
Transferred to statuary reserve	-	53,866	(53,866)	-	-	-
Non-controlling interest	-	-	-	-	(453,159)	(453,159)
Balance as at 31 December 2012	4,500,000	362,245	1,207,389	6,069,634	3,537,570	9,607,204
Declared dividends (note 29)	-	-	(450,000)	(450,000)	-	(450,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	714,079	714,079	-	714,079
Transferred to statuary reserve	-	71,409	(71,409)	-	-	-
Non-controlling interest	-	-	-	-	(43,254)	(43,254)
Balance as at 31 December 2013	**4,500,000**	**433,654**	**1,398,259**	**6,331,913**	**3,494,316**	**9,826,229**

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group ("the Company") is a Saudi joint stock company registered in Riyadh, in the Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated 10 Sha'aban 1416H (corresponding to 1 January 1996).The Company was formed pursuant to the Ministry of Commerce and Industrial's resolution numbered 291 dated 29 Jumad Thani 1416 H (corresponding to 23 November 1995).

The Company is engaged in 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 private sector in the Kingdom to enter into other industries by using petrochemical products after obtaining the required licenses from the relevant authorities.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company and its subsidiary (the "Group"), as adjusted by the elimination of significant inter-Group balances and transactions.

The financial statements of the subsidiary are prepared using accounting policies which are consistent with those of the Company. The financial statements of the subsidiary company are consolidated from the date on which the Company is able to exercise effective management control over the subsidiary company. A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exercise effective management control.

Non-controlling interest in the net assets of consolidated subsidiary is identified separately from the Company's shareholder equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The subsidiary companies are as follows:

	Shareholding %		Country of Incorporation
	2013	2012	
National Petrochemical Company ("Petrochem")*	**50**	50	Saudi Arabia
Saudi Nylon Company, Saudi Benzene Company, Saudi Paraxylene Company and Saudi Cyclohexane Company (the "Local entities")**	-	-	Saudi Arabia

* The subsidiaries of Petrochem are as follows:

	Shareholding %		Country of Incorporation
	2013	2012	
Saudi Polymers Company ("SPCo")	**65**	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO ("GPDCo")	**65**	65	United Arab of Emirates

** During the year 2010, the Company has resolved to liquidate the Local Entities, having their purpose been achieved, i.e. incorporation of Petrochem. During 2012, Legal formalities of liquidation are completed.

- NATIONAL PETROCHEMICAL COMPANY ("PETROCHEM") AND ITS SUBSIDIARIES

National Petrochemical Company ("Petrochem") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010246363 dated 8 Rabi Awal 1429H (corresponding to 16 March 2008), and was formed pursuant to the ministry of commerce and industry's resolutions numbered 53/Q dated 16 Safar 1429H, (corresponding to 23 February 2008). Petrochem is engaged in the development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants, wholesale and retail trading in petrochemical materials and products, owning land, real estate and buildings for its benefits.

2 BASIS OF CONSOLIDATION (continued)

The subsidiaries of Petrochem are as follows:

a) **Saudi Polymers Company ("SPCo")**
Is a mixed limited liability company, registered in Jubail in the Kingdom of Saudi Arabia under registration number 2055008886 dated 29 Dhu Al Qedah1428H (corresponding to 9 December 2007). SPCo is engaged in production and sale of ethylene, propylene, hexene, gasoline, high and low density polyethylene, polypropylene and polystyrene. At 1 October 2012, SPCo completed its trial operation and announced the commercial production.
At 10 November 2012 announcement has been made for the cease of the plant commercial production due to the some technical problems in some of its production units. On 19 January 2013 SPCo completed the maintenance process and resumed the commercial production.

At 30 June 2013, an unscheduled disruption of the production has been announced due to technical fault in one of the units of the project. On 15 July 2013 the SPCo completed the maintenance and resumed production.

In addition on 22 September 2013, announced an unscheduled disruption of SPCo production, However it has announced the resumption of the production in 4 October 2013.

b) **Gulf Polymers Distribution Company ("GPDCo")**
Is a free zone limited liability company registered in the Dubai Airport Free Zone dated 12 Rabi Awal 1432 H (corresponding to 15 February 2011). GPDCo activity is restricted to selling and storing of SPCo's polymer products.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The figures in these consolidated financial statements are rounded to nearest thousands. The significant accounting policies adopted are as follows.

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

Use of estimates
The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from these estimates.

Cash and cash equivalents
Cash and cash equivalents consists of bank balances, cash on hand, and short term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when placed.

Accounts receivable
Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories
Inventories are stated at the lower of cost and market value. Cost is determined as follows:

Raw materials, spare parts and catalysts	-	purchase cost on a weighted average basis.
Work in progress and Finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Deferred charges/amortization
Deferred charges comprise agency and upfront fees on term loans and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Projects under construction
Projects under construction appear at cost until the asset is ready for their intended use, thereafter; they are capitalized on the related assets. Project under construction include the cost of contractors, materials, services, borrowing, salaries and other overhead allocated on systematic basis.

Investment in jointly controlled projects
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policies and decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as jointly controlled project. The Group share in the jointly controlled project is accounted under equity method whereby the group share in the jointly controlled project is carried in the consolidated balance sheet at cost as adjusted by post-incorporation changes in the Company's share in the net assets of the jointly controlled entity, less any impairment in the value of individual investment, if any.

Property, plant and equipment / depreciation
Property, plant and equipment are stated at cost net of accumulated depreciation except for Platinum (precious metal) which is stated at cost and is not depreciated. Expenditure for maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight- line method.

The estimated useful lives for the calculation of depreciation are as follows:

	Years		Years
Plant and equipments	5-25	Vehicles	4
Office equipment and furniture	3.33-10	Buildings	20
Leasehold improvements	5 year or the term of lease, whichever is shorter		

Borrowing costs
Borrowing costs that are directly attributable to the construction of an asset are capitalized up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed, and thereafter, is charged to the consolidated statement of income.

Impairment of assets
The Group periodically reviews the carrying amounts of its long term tangible assets to determine whether there is any indication that those assets have suffered an impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group 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 or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

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

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when an obligation (legal or constructive) arising from a past event, and the costs to settle these obligation are both probable and may be measured reliably

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat and income tax
Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on accrual basis. The provision is charged to the consolidated statement of income. Differences, if any, resulting from the final Zatat assessments are adjusted in the year of their finalization. The foreign partner in Petrochem's subsidiaries is subject to income tax which is included in non-controlling interest in the consolidated financial statements.

Employees' terminal benefits
Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Fair value
The fair value of commission-bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income in each year to the statutory reserve. The Company may resolve to discontinue such transfers when it builds up a reserve equal to one half of the capital. The reserve is not available for distribution.

Dividends
Final dividends are recognized as liabilities at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Revenue recognition
Sales represent the invoiced value of goods supplied by the Group during the year and is recognized when the significant risks and rewards of the ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on the delivery to the customer. Other income is recognized when earned.

The Group share in the jointly controlled projects result is accounted under equity method.

Expenses
Selling and marketing expenses are those that specifically relate to delivery and marketing of the products. All other expenses –except cost of sales- are allocated on a consistent basis to general and administration expenses in accordance with allocation factors determined as appropriate by the management.

Foreign currencies
Transactions in foreign currencies are translated into Saudi Riyals at the rate prevailing at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are retranslated at the rate prevailing at that date. All differences are taken to the consolidated statement of income.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at average exchange rates during the year. Component of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Exchange differences arising from such translations, if material, are included in the cumulative translation adjustment account under equity in the consolidated balance sheet.

Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. The Head Office segment incorporates the financial information related to activities under construction.

4. CASH AND CASH EQUIVALENTS

Amounts in SR '000

	2013	*2012 (Restated, note 28)*
Time deposits	**1,427,016**	1,106,020
Bank balances and cash in hand	**82,876**	70,353
	1,509,892	1,176,373

5. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

Amounts in SR '000

	2013	*2012 (Restated, note 28)*
Trade receivables	**688,024**	242,381
Cash margin against letter of guarantees	**53,093**	53,093
Prepayments	**20,679**	3,767
Current portion of employees loans (*)	**14,158**	7,597
Accrued income on bank deposits	**1,093**	2,472
Advances to suppliers	**-**	24,622
Other assets	**40,404**	6,718
	817,451	340,650

(*) Employees loans are commission free housing loans for eligible Saudi employees in the company and in the subsidiary companies to purchase or construct their own residential units and are secured by mortgage over property purchased under employees home ownership program. Such loans are repayable in monthly installments over a maximum period of 15 years.

6. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the years:

Amounts in SR '000

Related party	*Nature of transactions*	*Amount of transactions 2013*	*Amount of transactions 2012 (Restated, note 28)*
Non-controlling partner in a subsidiary company	Proceeds from subordinated loan	**367,500**	749,437
	Marketing fees	**184,997**	37,019
Board of directors, committees and senior executives	Expenses, remunerations, salaries and benefits	**8,079**	9,641
Affiliate companies	Services provided	**600,101**	214,369
	Projects under construction transferred to affiliate	**-**	208,553
	Purchases	**(1,037,914)**	(568,684)
	Sales	**492,864**	128,486

6. RELATED PARTY TRANSACTIONS (continued)

A substantial portion of sales of Saudi Chevron Philips, Jubail Chevron Philips (jointly controlled projects) and GPDCo were made through an affiliated company of the non-controlling partner (the Marketer") under a marketing agreement. Upon delivery of the product to the Marketer, sales are recorded at provisional prices. The provisional prices are subsequently adjusted to actual selling prices as received by the Marketer from its customers. Adjustments are recorded on a quarterly basis as they are reported by the Marketer. The prices and terms of the transactions are approved by the management of the companies.

Amounts due from / to related parties are shown in the consolidated balance sheet.

7. INVENTORIES

Amounts in SR '000	*2013*	*2012 (Restated, note 28)*
Finished goods	**598,954**	101,988
Spare parts	**150,019**	150,015
Raw material	**141,893**	154,031
Catalyst	**40,091**	23,066
	930,957	429,100

8. DEFERRED CHARGES

Deferred charges consists of agency and upfront fees on the term loan and amortized over the period of the related loans, as follow:

Amounts in SR '000	*2013*	*2012 (Restated, note 28)*
Cost		
At the beginning and ending of the year	**238,369**	238,369
Amortization		
At the beginning of the year	**131,186**	88,166
Capitalized on projects under construction during the year	**-**	33,308
Charged as expenses during the year	**32,397**	9,712
At the end of the year	**163,583**	131,186
Net book value	**74,786**	107,183

9. PROJECTS UNDER CONSTRUCTION

This item comprises cost of construction works of Saudi Polymers Company project (the "Plant") and the Conversion projects. The plant has completed its trial operation and announced its commercial production during the fourth quarter of 2012. Therefore, the balances related to the plant construction after this announcement have been transferred to the property, plant and equipment.

As at 31 December 2012, the balance represent cost of construction works of some units and additional facilities for a project of Saudi Polymers Company and Conversion projects.

10. INVESTMENTS IN JOINTLY CONTROLLED PROJECTS

These comprises the Company's investments in the following companies which are incorporated as limited liability companies and operating in the Kingdom of Saudi Arabia:

Joint venture	Shareholding %
Saudi Chevron Philips Company ("SCP")	50%
Jubail Chevron Philips Company ("JCP")	50%
Petrochemical Conversion Company ("PCC") (Under construction)	50%

The following summarize the investments movement during the year ended at 31 December:

(Amounts in SR '000)	2013	2012 (Restated, note 28)
At the beginning of the year	**2,910,243**	2,305,916
Share of income	**880,562**	825,577
Addition (*)	**361,873**	510,000
Dividends	**(918,750)**	(731,250)
At the end of the year	**3,233,928**	2,910,243

(*) Represents the proposed increase in the capital of Petrochemical Conversion Company based on the of the partners resolution.

11. SUBORDINATED LOANS TO JOINTLY-CONTROLLED PROJECTS

It represents the company's contribution of free commission loans for projects managed jointly by the partners according to their ownership shares. Loan repayment is not subject to commission.

Subordinated loans balance at 31 December were as following:

(Amounts in SR '000)	2013	2012 (Restated, note 28)
Petrochemical Conversion Company	**195,000**	-
Jubail Chevron Philips Company	**75,000**	75,000
	270,000	75,000

12. PROPERTY, PLANT AND EQUIPMENT

Amounts in SR '000	*Plant & equipment*	*Buildings*	*Furniture and office equipment*	*Platinum*	*Vehicle*	*Leasehold improvement*	***Total 2013***	*Total 2012 (Restated, note 28)*
Cost:								
At the beginning of the year	17,620,642	676,091	140,339	24,758	29,018	1,048	**18,491,896**	5,349
Additions	-	-	9	-	574	-	**583**	127,785
Transferred from projects under construction (Note 9)	852,701	3,863	3,514	(296)	379	-	**860,161**	18,358,762
At the end of the year	18,473,343	679,954	143,862	24,462	29,971	1,048	**19,352,640**	18,491,896
Depreciation:								
At the beginning of the year	176,559	6,761	8,913	-	2,867	939	**196,039**	3,676
Charge for the year	725,911	27,049	28,157	-	5,813	92	**787,022**	192,363
At the end of the year	902,470	33,810	37,070	-	8,680	1,031	**983,061**	196,039
Net book amounts:								
At 31 December 2013	**17,570,873**	**646,144**	**106,792**	**24,462**	**21,291**	**17**	**18,369,579**	
At 31 December 2012 (Restated, note 28)	17,444,083	669,330	131,426	24,758	26,151	109		18,295,857

The buildings are situated on lands leased from the Royal Commission for Jubail and Yanbu; for an initial period of 30 years and are renewable for further similar periods.

13. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

(Amounts in SR '000)	2013	2012 (Restated, note 28)
Trade payables	**299,040**	345,135
Accrued expenses	**291,461**	79,337
Dividends	**10,233**	9,652
Compensation for priority rights subscription	**3,187**	3,187
Financial charges	**1,653**	-
Other liabilities	**19,804**	7,073
	625,378	444,384

14. TERM LOANS

Term loans represent the drawn portion out of loan facilities obtained to finance the plant projects under construction, as follows:

(Amounts in SR '000)	*Value*	*Outstanding Balance* 2013	2012 (Restated, note 28)
Commercial banks syndication	7,054,875	**6,693,585**	7,045,875
Public Investment Fund	3,000,000	**2,970,000**	3,000,000
Commercial banks syndication - Guarantee	2,212,500	**2,079,750**	2,212,500
Saudi Industrial Development Fund	1,200,000	**1,150,000**	1,200,000
		12,893,335	13,458,375
Less: current portion of term loans			
Commercial banks syndication		**422,754**	352,294
Public Investment Fund		**240,000**	30,000
Commercial banks syndication - Guarantee		**132,750**	132,750
Saudi Industrial Development Fund		**130,000**	49,999
Current portion of term loans		**925,504**	565,043
		11,967,831	12,893,332

The securities of these loans include the pledging and assignment of the property and equipment and bank accounts of the related projects and Petrochem. These loans carry commission at normal commercial rates for loans with similar risks. The Borrowing Company are required to comply with certain covenants under all the loan facility agreements.

15. SHORT TERM LOAN

During 2013, Petrochem has obtained a short-term loan (Tawarq) loan from a local commercial bank. The loan carries commission at normal commercial rates. The loan is secured by promissory notes. The loan agreement contains covalent which provided that profit margin should be settled semi-annually and existing Tawarq finance should be extended every six months and for two years as a maximum.

16. ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 103.3 million (2012: SR 92.1 million) consists of provision for the current year and as follows:

(Amounts in SR '000)	**2013**	*2012 (Restated, note 28)*
For the Subsidiaries	**74,699**	64,637
For the Company	**28,626**	27,466
	103,325	92,103

The charge for the year was computed on the separate zakat base of the Company and its subsidiaries.

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

(Amounts in SR '000)	**2013**	*2012 (Restated, note 28)*
At the beginning of the year	**129,176**	130,544
Provided during the year	**103,325**	92,103
Paid during the year	**(55,866)**	(93,471)
At the end of the year	**176,635**	129,176

Status of assessments

Zakat returns have been filed with the Department of Zakat and Income Tax ("DZIT") for all prior years up to 2012. The DZIT has raised the zakat assessments up to 2006 and the Company has agreed on DZIT's assessments up to 2001. The Company has filed an appeal against the zakat assessments for the years 2002 and 2003 before the Higher Appeal Committee, and before DZIT for the years 2004 to 2006 against disallowance of certain items included in the assessments which resulted in a difference of SR 24.4 million and SR 17.5 million, respectively. As per the management's assessment, the Company has made provision for items under appeal by SR 34 million.

As for Petrochem, zakat returns, have been filed with DZIT for all prior years up to 2012, and zakat was settled accordingly. The DZIT has raised the zakat assessments for 2008 which showed zakat difference of SR 53 million. Petrochem has filed an appeal against this assessment which is still pending before the Higher Appeal Committee. Based on the zakat consultant's opinion, the management believes that the ultimate outcome of this appeal will be in the favor of Petrochem.

Petrochem and its zakat consultant have filed an appeal against claim for the year 2010 which resulted in a difference of SR 74 million. The management believes that the ultimate outcome of this appeal will be in the favor of Petrochem.

Petrochem and its zakat consultant have filed an appeal against the claim for the year 2012 which resulted in a difference of SR 35 million. The management believes that the provision made is adequate to cover any differences that may arise.

As for SPCo, zakat returns have been filed with the DZIT for previous years up to 2012. The DZIT has raised the zakat assessment for 2008. Final assessments for the years from 2009 to 2012 have not been raised yet by DZIT.

As for GPDCo, the company registered in Dubai Airport Free Zone, and is exempted from income tax.

17. SUBORDINATED LOAN FROM A NON-CONTROLLING PARTNER IN A SUBSIDIARY

Subordinated loan from a non-controlling partner is commission free loan granted to SPCo and its settlement is subject to the minimum level required to be maintained by the terms of the loan facility agreements. The movement of the subordinated loan during the year is analyzed as follows:

(Amounts in SR '000)	2013	2012 (Restated, note 28)
At the beginning of the year	764,297	14,860
Proceeds received	367,500	749,437
	1,131,797	764,297

18. SHARE CAPITAL

Share capital is divided into 450 million shares (2012: 450 million shares) of SR 10 each.

19. SELLING AND MARKETTING EXPENSES

(Amounts in SR '000)	2013	2012 (Restated, note 28)
Marketing fees (note 6)	184,997	37,019
Support services and general utilities	64,268	8,126
Warehouses rent and maintenance	45,330	5,985
Employees costs	6,799	1,373
Others	9,174	433
	310,568	52,936

20. GENERAL AND ADMINSTRATIVE EXPENSES

(Amounts in SR '000)	2013	2012 (Restated, note 28)
Employees costs	154,606	109,932
Depreciation	65,608	24,196
Expenses and remuneration of board of directors and committees, salaries and benefits of senior executives	6,279	7,841
Bank Charges	4,531	2,385
Consulting and professional fees	2,659	1,751
Insurance	2,533	438
Rent	2,521	1,584
Subscriptions	1,514	1,634
Travel	518	591
Others	20,772	11,802
	261,541	162,154

21. OTHER (EXPENSES) INCOME, NET

(Amounts in SR '000)	2013	2012 (Restated, note 28)
Projects under construction written off (*)	(62,396)	-
Income from trial products of Saudi Polymers plant, net	-	50,776
Income from bank deposits	4,070	16,251
Others	482	857
	(57,844)	67,884

(*)The balance represents amount related to studies of certain conversion projects which have been written off by the management because they are not viable and have no future benefits.

22. EARNINGS PER SHARE

Earnings per share are calculated by dividing income from main operations and net income by the number of outstanding shares amounting to 450 million shares (2012: 450 million shares).

23. SEGMENT INFORMATION

These are attributable to the business segment prepared by management to be used as a basis for the financial reporting and are in consistent with the internal reporting process.

The Group's operations consist from the following business segments:

- Saudi Chevron Philips Company ("SCP")
  Engaged in produce and sell aromatics, solvents and cyclohexane.
- Jubail Chevron Philips Company ("JCP")
  Engaged in manufacturing and selling styrene, mogas blend stock, aromatic benzene, fuel oil, ethyl benzene, ethylene, propylene, liquefied petroleum gas and aromax feed.
- Petrochem
  Engaged in the development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants, wholesale and retail trading in petrochemical materials and products.
- Head office
  Represents Head Office operation and related activities under construction.

For the year ended 31 December 2013

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	Total
Sales	-	-	4,436,677	-	-	4,436,677
Gross margin	-	-	726,515	-	-	726,515
Net income (loss)	674,558	199,906	(66,128)	702,489	(796,746)	714,079
Total assets	1,186,937	1,144,203	21,005,725	7,388,514	(5,351,310)	25,374,069
Total liabilities	-	-	15,451,007	122,124	(25,291)	15,547,840

23. SEGMENT INFORMATION - continued

For the year ended 31 December 2012 (Restated, note 28)

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	Total
Sales	-	-	857,875	-	-	857,875
Gross margin	-	-	(478,862)	-	-	(478,862)
Net income (loss)	646,948	229,048	(463,537)	537,955	(411,746)	538,668
Total assets	1,381,760	944,293	20,386,609	6,759,450	(5,003,715)	24,468,397
Total liabilities	-	-	14,755,573	105,626	(6)	14,861,193

All of the operational assets of the Group are located in the Kingdom of Saudi Arabia. The sales of the Group are geographically distributed among local sales by 20% (2012: 28%), Asia 50% (2012: 39.5%), Arabian Gulf 13% (2012: 20 %), and Europe by 17% (2012: 12.5%).

24. CONTINGENT LIABILITIES

During the normal course of business, the local bankers have issued, on behalf of the company and its subsidiary, bank guarantees amounted to SR 2,618 million (2012: SR 2,618 million). Which include the amount of SR 860 million (2012: SR 860 million) provided from SPCo to the benefit of Saudi Aramco Company for feedstock cost.

25. CAPITAL COMMITMENTS

The balance of unused capital expenditure approved by the board of directors in connection with the construction of the additional units and facilities for Saudi Polymers plant was SR 271.9 million (2012: SR 39.4 million related to the plant construction).

26. RISK MANAGEMENT

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on commission bearing assets and liabilities, including time deposits and term loans.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars during the year. As the Saudi Riyal is pegged to US Dollar, the Group is not exposed to significant currency risk.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and constantly monitoring outstanding receivables balances. As the balance sheet date, no significant concentration of credit risk where identified by management

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages their liquidity risk by ensuring the availability of bank facilities and monitoring cash flows in a regular basis. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 30 to 45 days of the date of purchase.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, trade receivables, prepayments and other receivables, and its financial liabilities consist of trade payables, accrued expenses, other liabilities, term loans and subordinated loan from a non-controlling partner. The fair values of financial instruments are not materially different from their carrying values.

28. CHANGES IN ACCOUNTING POLICIES

In May 2011, the International Accounting Standard Board (IASB) issued its International Financial Reporting Standard (IFRS 11), Joint Arrangements, IFRS 11 requires entities to account for its investments in joint ventures using the equity method and removes the proportionate consolidation set out in International Accounting Standard (IAS 31), Interest in Joint Ventures, which has been previously adopted by Saudi Organization for Certified Public Accountants ("SOCPA") and applied by the Company in 2012 and prior years, whereby the Company's share in assets, liabilities, income and expenses of joint ventures is consolidated on line to line basis of each item with their corresponding items in the Group financial statements, IFRS 11 is effective for the annual periods starting on or after 1 January 2013, The Company decided to adopt this standard with effect from the first quarter of the current year and the comparative figure has been restated to conform with current period presentation.

Following is the effect of this restatement in comparative figures:

Amounts in SR '000	as Previously Reported SR	Adjustment SR	As Restated SR
a) Effect on the consolidated balance sheet			
Current assets	3,739,883	(1,621,649)	2,118,234
Non-current assets	22,496,538	(146,375)	22,350,163
Current liabilities	2,051,473	(862,360)	1,189,113
Non-current liabilities	14,577,747	(905,667)	13,672,080
b) Effect on the consolidated statement of income			
Revenue	5,556,058	(4,698,183)	857,875
Cost of sales	(5,036,220)	3,699,483	(1,336,737)
Gross profit (loss)	519,838	(998,700)	(478,862)
Income from main operation	153,839	(22,214)	131,625

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION OF NET INCOME

On 3 Safar 1434H (corresponding to 16 December 2012) the board of directors recommended the general assembly to distribute cash dividends at 10% of the par value of share (SR 1 per share) with total dividends of SR 450 million for the year 2012.

The shareholders have approved this proposal during the general assembly dated 4 Jumada Al-Thani 1434H (corresponding to 14 April 2013).

On 14 Safar 1435H (corresponding to 17 December 2013) the board of directors recommended the general assembly to distribute cash dividends at 10% of the par value of share (SR 1 per share) of the year ended 2013 total dividends of SR 450 million.

The consolidated financial statements have been approved by the board of directors on 23 Rabi Al-Thani 1435H (Corresponding to 23 February 2014).

30. COMPARATIVE FIGURES

In addition to the restatements set out in note 28 above, Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.