SAUDI KAYAN PETROCHEMICAL COMPANY
(SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2012

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INDEX

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AUDITORS' REPORT

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

Scope of Audit

We have audited the balance sheet of Saudi Kayan Petrochemical Company ("Saudi Kayan"), a Saudi joint stock company, as of December 31, 2012, and the related statements of operations, cash flows and stockholders' equity for the year then ended, and notes 1 to 25 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia appropriate to the nature of the Company and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2012

	Note	2012 SR 000	2011 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	**569,278**	469,195
Accounts receivable	4	**3,134,351**	2,625,401
Inventories	5	**1,959,998**	1,545,137
Other receivables and prepayments	6	**501,092**	361,508
Total current assets		**6,164,719**	5,001,241
Non-current assets			
Cost of projects under construction	7	**2,882,942**	4,159,006
Property, plant and equipment	8	**37,387,583**	37,363,141
Intangible assets	9	**437,703**	133,550
Other non-current assets	10	**25,206**	31,918
Total non-current assets		**40,733,434**	41,687,615
TOTAL ASSETS		**46,898,153**	46,688,856
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long term debts	13	**1,165,658**	529,610
Accounts payable	11	**1,346,234**	782,348
Accrued and other current liabilities	12	**1,294,393**	1,064,603
Total current liabilities		**3,806,285**	2,376,561
Non-current liabilities			
Long term debts	13	**28,514,737**	28,980,594
Other non-current liabilities	14	**137,096**	119,399
Total non-current liabilities		**28,651,833**	29,099,993
Stockholders' equity			
Share capital	1	**15,000,000**	15,000,000
Statutory reserve	20	**49,408**	49,408
Retained earnings		**(609,373)**	162,894
Total stockholders' equity		**14,440,035**	15,212,302
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**46,898,153**	46,688,856

The accompanying notes form an integral part of these financial statements

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2012

	Note	2012 SR 000	2011 SR 000
Sales	16	**9,482,234**	2,403,406
Cost of sales	16	**(9,330,625)**	(2,370,966)
Gross profit		**151,609**	32,440
Selling, general and administrative expenses	16,17	**(330,450)**	(88,601)
Loss from main operations		**(178,841)**	(56,161)
Pre-operative and other expenses, net	18	-	(10,976)
Financial charges	13	**(523,909)**	(113,172)
Other income, net		**2,202**	4,527
Loss before zakat		**(700,548)**	(175,782)
Zakat	15	**(71,719)**	(74,469)
LOSS FOR THE YEAR		**(772,267)**	(250,251)
Loss per share - note 24			
Loss per share (in SR)		**(0.515)**	(0.167)
Loss per share from main operations (in SR)		**(0.119)**	(0.037)
Weighted average number of shares		**1,500,000,000**	1,500,000,000

The accompanying notes form an integral part of these financial statements

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	2012 SR 000	2011 SR 000
OPERATING ACTIVITIES		
Loss before zakat	**(700,548)**	(175,782)
Adjustments for:		
Depreciation	**1,996,851**	456,072
Amortization of intangible assets	**67,357**	6,736
Financial charges	**523,909**	113,172
Employees' benefits	**33,320**	32,226
Changes in operating assets and liabilities:		
Accounts receivable	**(508,950)**	(1,327,760)
Inventories	**(414,861)**	(1,046,766)
Other receivables and prepayments	**(139,584)**	(241,909)
Accounts payable, accrued and other current liabilities	**883,704**	1,485,763
Cash from (used in) operations	1,741,198	(698,248)
Zakat paid	**(82,883)**	(377)
Financial charges paid	**(493,588)**	(152,919)
Employees' benefits paid	**(15,623)**	(10,492)
Net cash from (used in) operating activities	**1,149,104**	(862,036)
INVESTING ACTIVITIES		
Additions to cost of projects under construction	**(1,162,249)**	(3,051,162)
Additions to property, plant and equipment	**(58,694)**	-
Additions to intangible assets	**(4,981)**	(3,092)
Other non-current assets	**6,712**	(2,324)
Net cash used in investing activities	**(1,219,212)**	(3,056,578)
FINANCING ACTIVITIES		
Net proceeds from long term debts	**170,191**	3,420,777
Net cash from financing activities	**170,191**	3,420,777
Net change in cash and cash equivalents	**100,083**	(497,837)
Cash and cash equivalents, January 1	**469,195**	967,032
CASH AND CASH EQUIVALENTS, DECEMBER 31	**569,278**	469,195

Non-cash transactions:
The Company during the year transferred SR 1.96 billion (2011: 37.8 billion) to property, plant and equipment and SR 366.5 million (2011: 132.6 million) to intangible assets from cost of projects under construction in respect of the completed projects.

Cost of projects under construction includes accounts payable, accrued and other current liabilities amounting to SR 93.6 million (2011: SR 202.9 million).

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2012

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Total SR 000
January 1, 2011	15,000,000	49,408	413,145	15,462,553
Net loss for the year	-	-	(250,251)	(250,251)
December 31, 2011	15,000,000	49,408	162,894	15,212,302
Net loss for the year	-	-	**(772,267)**	**(772,267)**
December 31, 2012	**15,000,000**	**49,408**	**(609,373)**	**14,440,035**

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

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

The principal activity of the Company is to invest in industrial projects in the petrochemical and chemical fields and owning and constructing the industrial projects to support the Company's activities including raw materials and other within and outside the Kingdom, operating and managing the industrial projects built 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.

From October 1, 2011, the Company announced the commencement of commercial operation for the majority of its plants including olefins, ethylene glycol, polypropylene, high density polyethylene, polycarbonate and phenolics. On August 15, 2012, the Amines plant commenced commercial operations.

The Company's principal place of business is in Al-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 generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

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

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

c) Revenue recognition
All product sales are made to Saudi Basic Industries Corporation (referred to as "SABIC" or "the Marketer") under a marketing agreement. Upon delivery of products to the Marketer, sales are recorded at provisional selling prices which are later adjusted based upon actual selling prices received by the Marketer from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company.

d) Selling, and general and administrative expenses
Selling expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

e) **Accounts receivable**
Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. Adjustments are recorded as they become known to the Company. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written off as incurred.

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

Inventory items that are considered as essential to ensure continuous plant operations are treated as capital spare parts and are classified as plant and equipment and are depreciated using the depreciation rate relevant to the corresponding plant and equipment.

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

h) **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.

i) **Property, plant and equipment**
Property, plant and equipment are stated at cost net of accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterments is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	Years
Buildings	33
Plant and equipment	20
Others	2-10

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

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

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

k) Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets, and are amortized using the straight-line method over their estimated useful lives. Such intangible assets and their expected amortization periods are as follows:

Pre-operating costs

Pre-operating costs include costs incurred prior to commencement of commercial operations of the plants and are being amortized over a period of seven years on a straight-line basis beginning from the commencement of commercial operations of each plant.

Employee home ownership – site development cost

Employee home ownership – site development costs are amortized using the straight-line method over a period of five years.

Planned turnaround costs

Planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

Front end fee, debt acquisition and arrangement costs

Loan front end fees, debt acquisition and arrangement costs relate to the loans from Saudi Industrial Development Fund ("SIDF") and a syndicate of banks. These costs are being amortized over the period of the loans and the amortization is capitalized as part of cost of projects under construction up to the date of commencement of commercial production and subsequently it is charged to the statement of operations.

l) 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 the statement of operations.

m) Provision for obligations

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

n) Borrowing costs

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

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

p) 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.

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

r) Zakat
The Company is subject to zakat in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of operations. Zakat is computed at 2.5% of the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

s) Technology and innovation
Technology and innovation costs are expensed when incurred.

t) 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 the statement of operations on a straight-line basis over the term of the operating lease.

u) Segmental analysis
A segment is a distinguishable component of the Company that is engaged 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.

All of the Company's sales are made to one customer and substantially all of the Company's operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographic and operating segment has not been presented.

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.

	2012 SR 000	2011 SR 000
Cash and bank balances	**39,278**	33,445
Murabaha investments	**530,000**	435,750
	569,278	469,195

Cash and cash equivalents at the end of the year include employees saving plan deposits held in a separate bank account of SR 7.6 million (2011- SR 6.2 million), which are not available to the Company.

4. ACCOUNTS RECEIVABLE

	2012 SR 000	2011 SR 000
Due from related parties-trade (note 16)	**3,118,502**	2,619,605
Due from related parties-other	-	799
Other receivables	**15,849**	4,997
	3,134,351	2,625,401

5. INVENTORIES

	2012 SR 000	2011 SR 000
Finished goods	**1,199,440**	1,057,411
Chemicals, raw and packing materials	**191,161**	100,369
Spare parts and supplies	**512,592**	335,823
Materials-in-transit	**56,805**	51,534
	1,959,998	1,545,137

The spare parts inventory primarily relates to plant and machinery and accordingly, this inventory is expected to be utilized over a period exceeding one year.

6. OTHER RECEIVABLES AND PREPAYEMENTS

	2012 SR 000	2011 SR 000
Amount due from SABIC and its affiliates (note 16)	**439,381**	300,571
Prepayments	**52,816**	41,756
Employee home ownership receivables – current portion	**3,985**	4,974
Others	**4,910**	14,207
	501,092	361,508

7. COST OF PROJECTS UNDER CONSTRUCTION

Cost of projects under construction as of December 31, 2012 represents the cost incurred by the Company for the construction of industrial projects in the petrochemical and chemical fields and to produce LDPE and other petrochemical products and related facilities in Al-Jubail Industrial City, Kingdom of Saudi Arabia. Construction related costs as of December 31, 2012 comprise construction costs under various agreements and directly attributable costs to bring the assets to location and condition necessary for them to be capable of operating in a manner intended by management. Directly attributable costs include site preparation, plant and equipment and installation costs, licensing fees, professional fees, project management fees and employee benefits.

The Company during the year transferred SR 1.96 billion (2011: SR 37.8 billion) to property, plant and equipment and SR 366.5 million (2011: SR 132.6 million) to intangible assets from cost of projects under construction in respect of the completed projects.

Finance costs capitalized during the year ended December 31, 2012 amounted to SR 55 million (2011: SR 280.8 million)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings SR 000	Plant and equipment SR 000	Others SR 000	Total SR 000
Cost				
January 1, 2012	1,380,886	36,276,430	177,265	37,834,581
Transferred from cost of projects under construction	**649,806**	**1,139,273**	**173,520**	**1,962,599**
Other additions	-	-	58,694	58,694
December 31, 2012	**2,030,692**	**37,415,703**	**409,479**	**39,855,874**
Depreciation				
January 1, 2012	10,461	452,569	8,410	471,440
Charge for the year	**66,459**	**1,825,468**	**104,924**	**1,996,851**
December 31, 2012	**76,920**	**2,278,037**	**113,334**	**2,468,291**
Net book value				
December 31, 2012	**1,953,772**	**35,137,666**	**296,145**	**37,387,583**
December 31, 2011	1,370,425	35,823,861	168,855	37,363,141

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.

9. INTANGIBLE ASSETS

	Pre-operating costs SR 000	Employee home ownership – site development costs SR 000	Planned turnaround Costs SR 000	Front end fee, debt acquisition and arrangement costs SR 000	Total SR 000
Cost					
January 1, 2012	132,599	9,601	100	-	142,300
Transferred from cost of projects under construction	-	-	-	366,529	366,529
Other additions	-	1,252	3,729	-	4,981
December 31, 2012	132,599	10,853	3,829	366,529	513,810
Amortization					
January 1, 2012	4,736	4,014	-	-	8,750
Charge for year	18,943	2,103	-	46,311	67,357
December 31, 2012	23,679	6,117	-	46,311	76,107
Net book value					
December 31, 2012	108,920	4,736	3,829	320,218	437,703
December 31, 2011	127,863	5,587	100	-	133,550

10. OTHER NON-CURRENT ASSETS

	2012 SR 000	2011 SR 000
Employee home ownership receivables	13,887	21,355
Others	11,319	10,563
	25,206	31,918

11. ACCOUNTS PAYABLE

	2012 SR 000	2011 SR 000
Accounts payable	1,096,936	607,026
Amounts due to SABIC and its affiliates (note 16)	249,298	175,322
	1,346,234	782,348

12. ACCRUED AND OTHER CURRENT LIABILITIES

	2012 SR 000	2011 SR 000
Operating costs	663,317	497,044
Retentions payable	93,696	202,880
Zakat (note 15)	71,623	82,787
Research and technology costs (note 16)	58,497	50,323
Utilities	34,926	22,459
Withholding tax payable	2,618	2,614
Interest payable	99,291	68,969
Accrued and other liabilities	270,425	137,527
	1,294,393	1,064,603

13. LONG TERM FACILITIES

During 2008, the Company entered into the following long term loan facilities with various lenders:

	US$ 000	SR 000
Public Investment Fund facility agreement	1,067,000	4,001,250
Islamic Facility Agreements ("IFA")	1,030,319	3,863,697
Commercial facility agreement	725,946	2,722,296
Export Credit Agency facility agreements ("ECA Facilities")	2,000,000	7,500,000
Islamic working capital facility agreement	643,735	2,414,005
Saudi Industrial Development Fund ("SIDF") facility agreement	533,333	2,000,000
	6,000,333	22,501,248

The following are the aggregate loan balances at December 31, in respect of the above facilities as well as subordinated loans utilized at the year end:

	2012 SR 000	2011 SR 000
Public Investment Fund facility agreement	3,401,063	3,701,156
Islamic Facility Agreements	3,763,241	3,786,423
Commercial facility agreement	2,651,517	2,667,851
Export Credit Agency facility agreements	7,012,722	7,102,723
Islamic working capital facility agreement	2,414,352	2,414,551
Saudi Industrial Development Fund facility agreement	1,900,000	2,000,000
Subordinated loans	8,537,500	7,837,500
	29,680,395	29,510,204

Public Investment Fund facility agreement

Commission is payable on the facility drawn calculated at the London Inter Bank Offered Rate ("LIBOR") plus a margin and is repayable in twenty four semi-annual installments from June 2011. An amount of US$ 906.9 million (SR 3,401.1 million) is outstanding at December 31, 2012 (2011- US$ 987.0 million (SR 3,701.2 million)).

Islamic Facility Agreements ("IFA")

In 2008, the Company entered into the IFAs pursuant to which the commercial banks will participate in the procurement of a portion of the project assets on the basis of a co-ownership structure.

On the completion of the project, the co-owned assets will be leased to the Company at an annual rental as agreed plus margin.

A special purpose vehicle, Saudi Kayan Assets Leasing Company Limited (the "Custodian"), incorporated in the Kingdom of Saudi Arabia, holds, as agent, the Islamic financiers' interest in the co-owned assets.

Under the Forward Lease Agreement and the other IFAs, the Company will purchase from the Custodian, the Islamic financiers' ownership interest in the above assets and the facility will be over a period of twelve years ending in December 2022. At December 31, 2012, US$ 1,003.5 million (SR 3,763.2 million) is outstanding from the total available Islamic facility (2011-US$ 1,009.7 million (SR 3,786.4 million)).

Commercial facility agreement

The Company has entered into a commercial facility agreement with a syndicate of banks. Under this facility, an amount of US$ 707.1 million (SR 2,651.5 million) is outstanding at December 31, 2012 (2011- US$ 711.4 million (SR 2,667.8 million)). Commission is payable on loans drawn calculated at LIBOR plus a margin per annum. This facility is repayable in twenty four unequal installments on a semi-annual basis, over a period of twelve years, from June 2011.

Export Credit Agency facility agreements

The Company has also entered into four ECA-backed facilities and US$ 1,870.0 million (SR 7,012.7 million) is outstanding at December 31, 2012 (2011-US$ 1,894.1 million (SR 7,102.7 million)). Repayment is in twenty four unequal installments on a semi-annual basis which commenced from June 2011. Commission is payable on loans drawn calculated at LIBOR plus a required margin applicable for the particular facility per annum.

Islamic working capital facility agreement

The Company has entered into an Islamic working capital arrangement for the project and signed a Credit Facility Agreement with a bank. From the total facility, an amount of US$ 643.8 million (SR 2,414.4 million) is outstanding as of December 31, 2012 (2011-US$ 643.9 million (SR 2,414.6 million)).

Saudi Industrial Development Fund facility agreement

The Company has entered into a term loan facility with SIDF for a total amount of SR 2,000 million, including a SIDF front end fee which is fully utilized at December 31, 2011. This facility is payable over fourteen unequal semi-annual installments starting from 15 Safar, 1434H (corresponding to December 29, 2012). The front end fee is being capitalized as part of cost of projects under construction up to the date of commencement of commercial operations and subsequently is amortized to the statement of operations. Under this facility, an amount of SR 1,900.0 million is outstanding at December 31, 2012 (2011: SR 2,000.0 million)

Subordinated loans

Starting from 2010, the Company has secured loan facilities for an amount of SAR 8,537.5 million. These loans were provided from SABIC or commercial banks with the guarantee of SABIC as its major shareholder. These loans were used to finance the additional funding required for completing the projects under construction and start up costs based on certain terms and conditions. The loan maturity is after eight years from each agreement date. Commission is payable on the loan drawn amount calculated at SIBOR plus margin per annum. The amount of SR 8,537.5 million (2011- SR 7,837.5 million) has been utilized as of December 31, 2012 from the above facility.

The aggregate repayment schedule of long term debts is as follows

	2012 SR 000
2013	1,165,658
2014	1,737,377
2015	2,215,011
2016	2,243,371
2017 and thereafter	22,318,978
	29,680,395

14. OTHER NON-CURRENT LIABILITIES

	End-of-service indemnities SR 000	Employees' savings plan SR 000	Others SR 000	Total SR 000
January 1, 2012	106,014	11,006	2,379	119,399
Additional provisions during year	**29,593**	**1,717**	**(2,379)**	**28,931**
Transfer from other affiliates	**2,938**	**10**	-	**2,948**
Employees' contributions	-	**1,441**	-	**1,441**
Benefits paid	**(14,620)**	**(1,003)**	-	**(15,623)**
December 31, 2012	**123,925**	**13,171**	-	**137,096**

15. ZAKAT

The principal elements of the zakat base are as follows:

	2012 SR 000	2011 SR 000
Opening stockholders' equity	**15,212,302**	15,462,553
Long term debts utilized for cost of projects under construction	**29,467,779**	29,086,816
Non-current assets	**(40,270,526)**	(41,522,147)
Other items	**(844,036)**	(272,685)
	3,565,519	2,754,537
Less: net loss before zakat	**(700,548)**	(175,782)
Zakat base	**2,864,971**	2,578,755

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

Cash and cash equivalents at the year end of SR 212.6 million (2011: SR 423.3 million) represents the unutilized proceeds from long term loans borrowed for the purpose of projects under construction which were received during 2012 and not completed one year.

The movement in zakat provision is as follows:

	2012 SR 000	2011 SR 000
January 1	**82,787**	8,695
Provision for year	**71,719**	74,469
Payments during year	**(82,883)**	(377)
December 31	**71,623**	82,787

The charge for the year is as follows:

	2012 SR 000	2011 SR 000
Zakat for the year	**71,719**	74,469
Charge to statement of operations	**71,719**	74,469

Outstanding assessments

Zakat assessments have been agreed with the Department of Zakat and Income tax (DZIT) up to 2011. The final assessment has been issued by the DZIT showing an additional zakat liability of approximately SR 19.6 million. This was paid in 2012.

16. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
SABIC and affiliates	Shareholder and affiliates

Accounts receivable from related parties at December 31, 2011 mainly represent trade receivables from the Marketer (SABIC), to whom all product sales are made.

The Company obtained procurement services including warehousing, transporting and arranging for delivery of materials related to the Company's spare parts, supplies and materials, which are provided by SABIC through the Shared Services Organization (SSO).

In addition to procurement services, SSO also provides accounting, human resources, information technology, engineering, and other general services to the Company.

SABIC Terminal Services Limited (Sabtank) provides shipping and material handling services to the Company.

Certain feedstocks were provided by affiliates of SABIC.

SABIC also provides the Company with certain required technical and innovation, administrative and other services in accordance with executed agreements.

SABIC also charged finance charges, guarantee fees and commitment fees to the Company in relation to the subordinated loan borrowed from the majority shareholder and local commercial banks.

The Company was charged approximately SR 756.3 million (2011 - SR 455.1 million) for all the above services and feedstock. Advances to SABIC for such services, which are included under other receivables and prepayments, amounted to SR 227 million at December 31, 2012 (2011: SR 199 million).

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2012 **SR 000**	2011 SR 000
Employee related cost	**4,969**	3,071
Technology and innovation costs (note 16)	**185,743**	50,323
Freight and storage	**130,595**	34,492
Other	**9,143**	715
	330,450	88,601

18. PRE-OPERATIVE AND OTHER EXPENSES, NET

	2012 SR 000	2011 SR 000
Salaries, wages and other benefits	-	8,963
Currency exchange differences	-	(534)
Professional fees	-	39
Board of directors' expenses	-	1,745
Others	-	763
	-	10,976

19. EMPLOYEE SAVING PLAN

Saudi Kayan administers a savings plan covering substantially all of its qualified Saudi employees. Participating employees may elect to contribute 1 to 15 percent of their basic salary. The Company matches cumulative employee contributions at a rate which increases by 10 percent each year until completion of ten years of participation, at which time Company's cumulative contributions equal the employee's cumulative contributions. The Company's contributions to the saving plan are accrued monthly and are not funded. The amount recognized as an expense for the year ended December 31, 2012 was SR 1.7 million.

Employees are always fully vested in their and the Company's contributions. Employees may withdraw their contribution at any time under certain conditions, and have the option to repay such withdrawals. All fully vested amounts are payable to the employees upon retirement. Upon completion of ten years participation in the plan, Saudi employees may elect to continue their participation or to collect all fully vested amounts and to rejoin the plan as if for the first time.

20. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, 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 a non cash item and not available for dividend distribution.

21. RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, accounts payable, accrued and other current liabilities and long term debts.

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 Company has no significant concentration of credit risk. Cash is substantially placed with banks with sound credit ratings.

Commission rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on certain of its cash and cash equivalents and long term debts. The Company limits commission rate risk by monitoring changes in interest rates in the currencies in which its cash and cash equivalents and long term debts are denominated. The management is also expected to hedge its commission rate risk on long term debts by entering into interest rate swaps with various lenders.

Liquidity Risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

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. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

22. OPERATING LEASE ARRANGEMENTS

	2012 SR 000	2011 SR 000
Payments under operating leases recognized as an expense/capitalized during the year	**8,637**	7,158

Operating lease charges represent rentals payable for vehicles and properties (refer note 8 for land lease). Rentals are fixed at the start of each lease term for a period of 3 years for vehicles and 1 to 2 years for properties except the land lease.

23. CONTINGENCIES AND COMMITMENTS

	2012 SR 000	2011 SR 000
Letters of guarantee	**7,416**	8,398
Letters of credit	**562,500**	562,500

As of December 31, 2012, the Company had outstanding capital commitments of SR 3,125 million (2011: SR 4,384 million) in respect of cost of projects under construction.

24. LOSS PER SHARE

Loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year.

Loss per share from main operations is computed by dividing the loss from main operations for the year by the weighted average number of shares outstanding during the year.

25. COMPARATIVE FIGURES

Certain figures for 2011 have been reclassified to conform to the presentation in the current year.