SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND INDEPENDENT AUDITORS' REPORT

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT February 12, 2014

To the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan):
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying balance sheet of Saudi Kayan Petrochemical Company (Saudi Kayan) (the "Company") as of December 31, 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the financial statements. These financial statements, which were prepared by the Company to comply with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, 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 auditing standards generally accepted in 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, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By:________________________
Omar M. Al Sagga
License Number 369

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محاسبون قانونيون
ترخيص رقم ٢/٢٥/١١/٣٢٣

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2013	2012
Assets			
Current assets			
Cash and cash equivalents	5	**269,315**	569,278
Accounts receivable	6	**3,199,285**	3,134,351
Inventories	7	**2,175,760**	1,959,998
Prepayments and other receivables	8	**735,332**	501,092
		6,379,692	6,164,719
Non-current assets			
Investment	9	**162,000**	-
Property, plant and equipment	10	**38,910,201**	40,270,525
Intangible assets	11	**630,012**	437,703
Other non-current assets	12	**135,921**	25,206
		39,838,134	40,733,434
Total assets		**46,217,826**	46,898,153
Liabilities			
Current liabilities			
Current portion of long-term borrowings	15	**1,737,377**	1,165,658
Accounts payable	13	**1,398,444**	1,346,234
Accrued and other liabilities	14	**1,138,519**	1,207,621
		4,274,340	3,719,513
Non-current liabilities			
Long term-borrowings	15	**27,614,659**	28,514,737
Other non-current liabilities	16	**235,202**	223,868
		27,849,861	28,738,605
Total liabilities		**32,124,201**	32,458,118
Shareholders' equity			
Share capital	19	**15,000,000**	15,000,000
Statutory reserve	20	**49,408**	49,408
Accumulated deficit		**(955,783)**	(609,373)
Total shareholders' equity		**14,093,625**	14,440,035
Total liabilities and shareholders' equity		**46,217,826**	46,898,153
Contingencies and commitments	24		

The accompanying notes on pages from 7 to 21 form an integral part of these financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2013	2012
Sales	18	**10,352,654**	9,482,234
Cost of sales	18	**(9,750,321)**	(9,330,625)
Gross profit		**602,333**	151,609
Selling, general and administrative expenses	18,21	**(366,843)**	(330,450)
Income (loss) from operations		**235,490**	(178,841)
Financial charges	15	**(483,394)**	(523,909)
Other (loss) income, net		**(8,506)**	2,202
Loss before zakat		**(256,410)**	(700,548)
Zakat	17	**(90,000)**	(71,719)
Net loss for the year		**(346,410)**	(772,267)
Earnings (loss) per share (Saudi Riyals)	23		
• Operating income (loss)		**0.157**	(0.119)
• Net loss for the year		**(0.231)**	(0.515)
Weighted average number of shares outstanding (in thousands)		**1,500,000**	1,500,000

The accompanying notes on pages from 7 to 21 form an integral part of these financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2013	2012
Cash flow from operating activities			
Loss before zakat		**(256,410)**	(700,548)
Adjustments for non-cash items			
Depreciation and amortization	10,11	**2,291,716**	2,064,208
Financial charges		**483,394**	523,909
Employees' benefits	16	**43,876**	33,320
Changes in working capital			
Accounts receivable		**(64,934)**	(508,950)
Inventories		**(215,762)**	(414,861)
Prepayments and other receivables		**(234,240)**	(139,584)
Accounts payable		**52,210**	563,886
Accrued and other liabilities		**(101,152)**	319,818
		1,998,698	1,741,198
Zakat paid	17	**(77,285)**	(82,883)
Financial charges paid		**(503,748)**	(493,588)
Employees' benefits paid	16	**(13,696)**	(15,623)
Net cash generated from operating activities		**1,403,969**	1,149,104
Cash flow from investing activities			
Investment	9	**(162,000)**	-
Additions to property, plant and equipment	10	**(729,655)**	(1,220,943)
Additions to intangible assets	11	**(373,203)**	(4,981)
Changes in other non-current assets	12	**(110,715)**	6,712
Net cash utilized in investing activities		**(1,375,573)**	(1,219,212)
Cash flow from financing activities			
Proceeds from long-term borrowings		**837,499**	700,000
Repayments of long-term borrowings		**(1,165,858)**	(529,809)
Net cash (utilized in) generated from financing activities		**(328,359)**	170,191
Net change in cash and cash equivalents		**(299,963)**	100,083
Cash and cash equivalents at beginning of year		**569,278**	469,195
Cash and cash equivalents at end of year	5	**269,315**	569,278
Supplemental cash flow information			
Non-cash investing activities:			
• Property, plant and equipment recorded against accrued and other liabilities		**20,843**	109,185
• Intangible assets recorded through transfer from property, plant and equipment		**-**	366,500

The accompanying notes on pages from 7 to 21 form an integral part of these financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Accumulated deficit	Total
January 1, 2013	15,000,000	49,408	(609,373)	**14,440,035**
Net loss for the year	-	-	(346,410)	**(346,410)**
December 31, 2013	**15,000,000**	**49,408**	**(955,783)**	**14,093,625**
January 1, 2012	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 on pages from 7 to 21 form an integral part of these financial statements.

1 General information

Saudi Kayan Petrochemical Company (Saudi Kayan) (the "Company") is engaged in investing in industrial projects both inside and outside the Kingdom of Saudi Arabia in the petrochemical and chemical fields. The Company is also providing support and maintenance of the utilities related to these plants.

The Company is listed on the Saudi Arabian stock market and is 35% owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public. The Company operates under commercial registration No. 2055008450 issued in Al Jubail on 26 Jumada'I 1428 H (June 12, 2007). The registered address of the Company is P.O. Box 10302, Al-Jubail Industrial City, the Kingdom of Saudi Arabia.

During the year ended December 31, 2013, the Company:

- completed the construction of Low Density Polyethylene Plant with a total cost of Saudi Riyals 2,011 million which started commercial production from April 1, 2013; and

- entered into an agreement with two other Saudi Arabian companies to form 'Saudi Butanol Company Limited ("SaBuCo")', a limited liability company registered in the Kingdom of Saudi Arabia to produce Butanol and Iso-Butanol. SaBuCo is registered with a share capital of Saudi Riyals 486.0 million and the Company invested Saudi Riyals 162.0 million for its equity interest. Construction of production facilities of SaBuCo is scheduled to commence in 2014 with anticipated completion by mid 2015.

The Company commenced commercial operations of its majority of plants including olefins, ethylene, glycol, polypropylene, high density polyethylene, polycarbonate and phenolic from October 1, 2011. The Company's Amines plant commenced commercial operations on August 15, 2012.

The accompanying financial statements were authorized for issue by the Company's Board of Directors on February 12, 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Assessment of impairment provision for non-current assets and determination of lowest level of cash generating units have significant risk of causing a material adjustment to the carrying amounts of assets within the next reporting period.

Management assesses the impairment of non-current assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the Company operates, changes in market interest rates and economic performance of the assets. The recoverable amounts of cash generating units are determined based on value-in-use calculations which require the use of estimates. Management considers the Company as a single cash generating unit for the purposes of impairment reviews.

2.3 Foreign currency transaction and balances

(a) Reporting currency

These financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions, if any, are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under “General and administrative expenses”. When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against “General and administrative expenses” in the income statement.

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.7 Investment

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Company’s share of its associates’ post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for assets under construction which are carried at cost. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings	33
• Plant, machinery and equipment	20
• Furniture, fixtures, office equipment and other assets	2 - 10

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Capital spare parts that are considered essential to ensure continuous plant operation are classified under property, plant and equipment, and are depreciated using the straight-line method using depreciation rates relevant to the corresponding plant and equipment. Spare parts are capitalized if they are not readily available in the market or unavailable, and their manufacturing requires an extended time to complete.

2.9 Intangible assets

Intangible assets and their expected amortization periods are as follows:

Front end fee and arrangement costs

Front end fees payment and arrangement fees costs related to the long-term borrowing are capitalized and are amortized over the remaining period of the related borrowing facilities.

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.

Employee home ownership - site development costs

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

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.

2.10 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels cash-generating units. Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement.

2.11 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.12 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.13 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Provision for zakat for the Company is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law.

2.14 Borrowings

Borrowings are recognized at the proceeds received. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.15 Employee benefits

Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and are charged to the income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

Employees' home ownership programme

The Company has a home ownership programme that offers eligible Saudi employees home ownership opportunities.

Unsold housing units constructed for eventual sale to eligible employees are capitalized 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 programme is transferred from property, plant and equipment to other non-current assets. Down payments and instalments 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 title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Company.

Employees' saving 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.

2.16 Revenue

Substantially all product sales are made to SABIC (the "Marketer") under a marketing agreement. Upon delivery of the products to the Marketer, sales are recorded at provisional selling prices which are later adjusted based on 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. Revenues from third parties are recorded at the time of delivery of the products.

2.17 Selling, general and administrative expenses

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

2.18 Operating leases

Rental expenses under operating leases is charged to the income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2.19 Reclassifications

Certain amounts in the accompanying 2012 financial statements have been reclassified to conform to 2013 presentation.

3 Financial instrument and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts and other receivable, investment, other non-current assets, long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability are offset and net amounts are reported in the financial statements, when the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously. Risk management is carried out by senior management.

3.1 Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and United States dollars. Management believes the currency risk is not significant.

3.2 Fair value and interest rate cash flow risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from its long-term borrowings which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Company are not significant.

3.3 Price risk

The risk that the value of financial instrument will fluctuate as result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company financial instruments are not exposed to price risk.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from 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 the Company's obligations as they become due.

3.6 Fair value

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 values of the Company's financial assets and liabilities are not materially different from their carrying values.

4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

Substantially all of the Company's sales are made to one customer in Saudi Arabia and substantially all of the Company's operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographical and operating segments has not been presented.

5 Cash and cash equivalents

	2013	**2012**
Cash and bank balances	**189,315**	39,278
Murabaha investments	**80,000**	530,000
	269,315	569,278

Cash and bank balances at December 31, 2013 include Saudi Riyals 8.1 million (2012: Saudi Riyals 7.6 million) as restricted balance representing employees' contribution in saving plan which is currently held in a separate bank account.

6 Accounts receivable

	Note	**2013**	**2012**
Related party	18	**3,162,608**	3,118,502
Other		**36,677**	15,849
		3,199,285	3,134,351

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Inventories

	2013	2012
Chemicals, raw and packing materials	**210,012**	191,161
Spare parts and supplies, not held for sale	**670,195**	512,592
Intermediate and finished products	**1,251,369**	1,199,440
Goods in transit	**44,184**	56,805
	2,175,760	1,959,998

8 Prepayments and other receivables

	Note	2013	2012
Receivable from related parties	18	**654,062**	439,638
Prepayments		**73,579**	52,816
Employee home ownership receivables - current portion	12	**3,407**	3,985
Other		**4,284**	4,653
		735,332	501,092

9 Investment

Investment at December 31, 2013 represents the Company's 33.3% equity interest in SabuCo, a Saudi Arabian limited liability company established to manufacture Butanol and Iso-Butanol.

The summary of movements in investment in SuBaCo during year ended December 31, 2013 is as follows:

January 1	-
Shares acquired	162,000
Share in net income	-
December 31	**162,000**

Financial information of SaBuCo as of and for the year ended December 31, 2013

Assets	894,750
Liabilities	408,375
Revenues	-
Net income	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Property, plant and equipment

	January 1, 2013	Additions	Disposals / transfers	December 31, 2013
2013				
Cost				
Buildings	2,030,692	-	386,027	**2,416,719**
Plant, machinery and equipment	37,415,703	-	2,024,116	**39,439,819**
Furniture, fixtures, office equipment and other assets	409,479	4,670	(1,567)	**412,582**
Assets under construction	2,882,942	746,431	(2,410,143)	**1,219,230**
	42,738,816	751,101	(1,567)	**43,488,350**
Accumulated depreciation				
Buildings	(76,920)	(75,113)	-	**(152,033)**
Plant, machinery and equipment	(2,278,037)	(1,945,227)	-	**(4,223,264)**
Furniture, fixtures, office equipment and other assets	(113,334)	(90,482)	964	**(202,852)**
	(2,468,291)	(2,110,822)	964	**(4,578,149)**
	40,270,525			**38,910,201**

	January 1, 2012	Additions	Disposals / transfers	December 31, 2012
2012				
Cost				
Buildings	1,380,886	-	649,806	2,030,692
Plant, machinery and equipment	36,276,430	-	1,139,273	37,415,703
Furniture, fixtures, office equipment and other assets	177,265	58,694	173,520	409,479
Assets under construction	4,159,006	1,053,035	(2,329,099)	2,882,942
	41,993,587	1,111,729	(366,500)	42,738,816
Accumulated depreciation				
Buildings	(10,461)	(66,459)	-	(76,920)
Plant, machinery and equipment	(452,569)	(1,825,468)	-	(2,278,037)
Furniture, fixtures, office equipment and other assets	(8,410)	(104,924)	-	(113,334)
	(471,440)	(1,996,851)	-	(2,468,291)
	41,522,147			40,270,525

Buildings and plant facilities of the Company are constructed on land leased under a renewable operating lease arrangement from the Royal Commission for Jubail and Yanbu for an initial term of 30 years commencing 21 Rabi'I 1428 H (April 9, 2007).

Assets under construction as of December 31, 2013 and 2012 represents the costs incurred by the Company for the construction of industrial projects in the petrochemical and chemical fields and other petrochemical products and related facilities in Al-Jubail Industrial City, Kingdom of Saudi Arabia. Directly attributable costs principally include site preparation, plant and equipment and installation costs, licensing fees, professional fees, projects management fees and employee benefits.

Finance costs capitalized during the year ended December 31, 2013 amounted to Saudi Riyals 27.8 million (2012: Saudi Riyals 55.0 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Intangible assets

2013	Pre-operating costs	Employee home ownership-site development costs	Planned turnaround costs	Front end fee, debt acquisition and arrangement costs	Total
Cost					
January 1, 2013	132,599	10,853	3,829	366,529	**513,810**
Additions	-	-	373,203	**-**	**373,203**
December 31, 2013	**132,599**	**10,853**	**377,032**	**366,529**	**887,013**
Accumulated amortization					
January 1, 2013	(23,679)	(6,117)	-	(46,311)	**(76,107)**
Charge for the year	(18,943)	(1,906)	(121,122)	(38,923)	**(180,894)**
December 31, 2013	(42,622)	(8,023)	(121,122)	(85,234)	**(257,001)**
	89,977	**2,830**	**255,910**	**281,295**	**630,012**

2012	Pre-operating costs	Employee home ownership-site development costs	Planned turnaround costs	Front end fee, debt acquisition and arrangement costs	Total
Cost					
January 1, 2012	132,599	9,601	100	-	142,300
Additions	-	1,252	3,729	-	4,981
Transfer from property, plant and equipment	-	-	-	366,529	366,529
December 31, 2012	132,599	10,853	3,829	366,529	513,810
Accumulated amortization					
January 1, 2012	(4,736)	(4,014)	-	-	(8,750)
Charge for the year	(18,943)	(2,103)	-	(46,311)	(67,357)
December 31, 2012	(23,679)	(6,117)	-	(46,311)	(76,107)
	108,920	4,736	3,829	320,218	437,703

12 Other non-current assets

	Note	2013	2012
Advances to an associate		**116,518**	-
Employee home ownership receivables	8	**9,760**	13,887
Other		**9,643**	11,319
		135,921	25,206

Advances to an associate at December 31, 2013 represent long-term loans to SaBuCo. These loans do not bear any financial charges and are not expected to be repaid during 2014.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Accounts payable

	Note	2013	2012
Trade		**483,689**	583,492
Related parties	18	**914,755**	762,742
		1,398,444	1,346,234

14 Accrued and other liabilities

	Note	2013	2012
Operating costs		**627,035**	663,317
Retentions payable		**114,539**	93,696
Zakat	17	**84,338**	71,623
Research and technology costs	18	**58,647**	58,497
Utilities		**33,990**	34,926
Withholding tax payable		**3,155**	2,618
Interest payable		**78,937**	99,291
Accrued and other liabilities		**137,878**	183,653
		1,138,519	1,207,621

15 Long term borrowings

	Note	2013	2012
Public Investment Fund (PIF)	15.1	**3,100,968**	3,401,063
Islamic Facility Agreement (IFA)	15.2	**3,670,512**	3,763,241
Commercial Facility	15.3	**2,586,182**	2,651,517
Export Credit Agency (ECA)	15.4	**6,540,223**	7,012,722
Islamic Working Capital Facility	15.5	**2,414,151**	2,414,352
Saudi Industrial Development Fund (SIDF)	15.6	**1,665,000**	1,900,000
Subordinated loans	15.7	**9,375,000**	8,537,500
		29,352,036	29,680,395
Current maturity shown under current liabilities		**(1,737,377)**	(1,165,658)
		27,614,659	28,514,737

15.1 Public Investment Fund

The loan agreement with PIF provided for a loan facility of United States ("US") dollars 1,067.0 million (Saudi Riyals 4,001.2 million) to partially finance the construction of the Company's production facilities. The loan bears financial charges based on prevailing market rates which are generally based on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan is payable in twenty four semiannual installments which commenced in June 2011. The loan is denominated in United States ("US") dollars. The loan is secured by mortgage of the assets of the Company.

15.2 Islamic Facility Agreement

During 2008, the Company entered into the IFA facility amounting to US dollars 1,030.3 million (Saudi Riyals 3,863.7 million) pursuant to which the commercial banks will participate in the procurement of portion of the Company production facilities on the basis of a co-ownership structure. On the completion of construction phase, such co-owned assets will be leased to the Company at agreed annual rentals. A special purpose vehicle, Saudi Kayan Assets Leasing Company Limited (the “Custodian”), was incorporated in the Kingdom of Saudi Arabia to hold Islamic financiers’ interest in the co-owned assets on their behalf. Under the Forward Lease Agreement and the other IFAs, the Company will purchase such co-owned assets from the Custodian upon repayment of IFA facility. The repayment of such facility will be made over a period of twelve years ending in December 2022. The loan is denominated in United States (“US”) dollars.

15.3 Commercial Facility

The Company has obtained loan facilities amounting to US dollar 725.9 million (Saudi Riyals 2,722.3 million) from various commercial banks. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2022. These loans bear financial charges based on prevailing market rates which are based on LIBOR and an agreed margin. These loans are payable in twenty four un-equal semiannual installments. These loans are mainly denominated in US dollars.

15.4 Export Credit Agency

The Company entered into four ECA backed facilities amounting to US dollars 2,000.0 million (Saudi Riyals 7,500.0 million). The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2022. These loans bear financial charges based on prevailing market rates which are based on LIBOR and an agreed margin. The loans are payable in twenty four un-equal semiannual installments. These loans are mainly denominated in US dollars.

15.5 Islamic Working Capital Facility

The Company has entered into an Islamic working capital arrangement for funding its working capital requirements and signed a Credit Facility Agreement for a facility of US dollars 643.8 million (Saudi Riyals 2,414.4 million) with a bank. The tenure of the loan is fifteen years from the date of signing of the agreement. The loan is mainly denominated in US dollars.

15.6 Saudi Industrial Development Fund

The loan agreements with SIDF provided for loans of Saudi Riyals 2,000.0 million to finance construction of the Company’s production facilities, which was fully drawn by December 31, 2011. These loans do not bear any financial charges. The loans are payable in fourteen un-equal semiannual installments which commenced in December 2012.

The above loans are secured by mortgage of the assets of the Company. The covenants of the borrowing facility with SIDF require the Company to maintain certain level of financial conditions, limiting the dividends distribution and annual capital expenditure above certain limits.

15.7 Subordinated loans

The Company has outstanding loans amounting to Saudi Riyals 9,375.0 million at December 31, 2013 obtained from SABIC and commercial banks against corporate guarantee of SABIC. Loan amounting to Saudi Riyals 837.5 million were drawn during 2013.

These loans were used to finance the additional funding required for completing the Company’s production facilities and start-up costs based on certain terms and conditions. The aggregate maturities of these loans, based on their respective repayment schedules, are spread from 2017 through 2021. These loans bear financial changes at prevailing market rates which are based on Saudi Inter Bank Offered rate and an agreed margin. Additionally, SABIC is required to maintain its 35% equity interest in the Company until the repayment of external loans.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15.8 Currency denomination

The carrying values of the long-term borrowings are denominated in following currencies:

	2013	2012
Saudi Riyals	**11,040,000**	10,437,500
United States dollars	**18,312,036**	19,242,895
	29,352,036	29,680,395

15.9 Maturity profile of long-term borrowings

	2013	2012
Years ending December 31:		
2013	**-**	1,165,658
2014	**1,737,377**	1,737,377
2015	**2,215,011**	2,215,011
2016	**2,243,371**	2,243,371
2017	**6,312,215**	6,312,215
2018	**3,172,645**	3,172,645
Thereafter	**13,671,417**	12,834,118
	29,352,036	29,680,395

16 Other non-current liabilities

	2013	2012
Employee termination benefits	**153,668**	123,925
Employees' savings plan	**13,608**	13,171
Accrued license fee	**67,926**	86,772
	235,202	223,868

Movement in employees' termination benefits and employees' saving plan during the years ended December 31 is as follow:

	Employee termination benefits	Employees' savings plan	Other	Total
January 1, 2013	123,925	13,171	-	**137,096**
Provisions	41,690	2,186	-	**43,876**
Payments	(11,947)	(1,749)	-	**(13,696)**
December 31, 2013	**153,668**	**13,608**	**-**	**167,276**
January 1, 2012	106,014	11,006	2,379	119,399
Provisions	32,531	3,168	(2,379)	33,320
Payments	(14,620)	(1,003)	-	(15,623)
December 31, 2012	123,925	13,171	-	137,096

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company administers a saving 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 contribution at a rate which increases by 10 percent each year until completion of ten years of participation, at which time the 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.

Employees are always fully vested in there 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 when the employee elects to leave the saving plan. 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.

17 Zakat

17.1 Significant components of zakat base

Significant components of zakat base which are subject to changes under DZIT regulations are as follow:

	Note	2013	2012
Shareholders' equity at beginning of year		**14,440,035**	15,212,302
Net loss for the year		**(256,410)**	(700,548)
Long-term borrowings	15	**29,352,036**	29,467,779
Property, plant and equipment	10	**(38,910,201)**	(40,270,525)
Other		**(1,245,023)**	(844,036)
Approximate zakat base		**3,380,437**	2,864,972

Zakat is payable at 2.5 percent of higher of the approximate zakat base and adjusted net income attributable to the shareholders.

17.2 Provision for zakat

	2013	2012
January 1	**71,623**	82,787
Provisions for the year	**90,000**	71,719
Payments during the year	**(77,285)**	(82,883)
December 31	**84,338**	71,623

17.3 Status of final assessments

The Company has received the final zakat assessments from the DZIT for the years through 2011. Zakat assessment for the year 2012 has not been finalized by DZIT.

18 Related parties matters

The Company enters into transactions with SABIC and its related parties (collectively the "related parties").

18.1 Related party transactions

a) 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 Service Organization (SSO).

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

c) SABIC Terminal Services Limited (Sabtank) provides shipping and material handling services to the Company (Note 21).

d) Certain feedstocks were purchased from related parties of SABIC.

e) SABIC also provides the Company with certain required technical and innovation, administrative and other services in accordance with executed agreements (Note 21).

f) SABIC also charged finance charges, guarantee fees and commitment fees to the Company in relation to the subordinated loan and local commercial banks.

g) The Company was charged approximately Saudi Riyals 752.2 million (2012: Saudi Riyals 756.3 million) for all above services and feedstock.

18.2 Related parties balances

a) Receivable from a related party

Receivable from a related party at December 31, 2013 and 2012 represent balance receivable from SABIC.

b) Other receivables from related parties

	2013	**2012**
SABIC	**653,836**	439,381
Other	**226**	257
	654,062	439,638

c) Payable to related parties

	2013	**2012**
SABIC	**910,347**	757,618
Other	**4,408**	5,124
	914,755	762,742

19 Share capital

The share capital of the Company as of December 31, 2013 and 2012 was comprised of 1,500 million shares stated at Saudi Riyals 10 per share. Also see Note 1.

20 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year, after recovering for accumulated deficit, to statutory reserve unless it equals to 50% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company. No such transfer was made during the years ended December 31, 2013 and 2012 due to accumulated deficits at end of such years.

21 Selling, general and administrative expenses

	Note	**2013**	**2012**
Salaries, wages and benefits		**9,567**	4,969
Technology and innovation costs	18	**206,637**	185,743
Freight and storage		**138,382**	130,595
Other		**12,257**	9,143
		366,843	330,450

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Operating leases

	2013	**2012**
Rental expenses under operating leases charged during the year	**5,854**	8,637

Commitments for minimum lease payments under the non-cancelable leases were not significant at December 31, 2013.

Rental expenses under operating leases charged during the year are for vehicles, properties and land (Note 10). Property rentals are fixed for 1 to 2 years and rentals for vehicles are fixed for an average of 3 years.

23 Earnings (loss) per share

Earnings (loss) per share for the years ended December 31, 2013 and 2012 have been computed by dividing the operating income (loss) and net loss for each years by weighted average number of shares outstanding during such years.

24 Contingencies and commitments

(i) The Company was contingently liable for bank guarantees issued on behalf of the Company in the normal course of business amounting to Saudi Riyals 7.2 million at December 31, 2013 (2012: Saudi Riyals 7.4 million).

(ii) The Company was contingently liable for letters of credit amounting to Saudi Riyals 562.5 million at December 31, 2013 (2012: Saudi Riyals 562.5 million).

(iii) The capital expenditure contracted by the Company but not incurred untill December 31, 2013 was approximately Saudi Riyals 649.5 million (2012: Saudi Riyals 3,125.0 million).