SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(SAUDI JOINT STOCK COMPANY)

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

SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(SAUDI JOINT STOCK COMPANY)

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

INDEX	**PAGE**

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
ABT Building, Al-Khobar
P.O. Box 182
Dammam 31411
Kingdom of Saudi Arabia

Tel: +966 (0) 3 887 3937
Fax: +966 (0) 3 887 3931
www.deloitte.com
Head Office: Riyadh

AUDITORS' REPORT

To the stockholders
Saudi Arabian Fertilizers Company (SAFCO)
Al-Jubail, Saudi Arabia

Scope of Audit

We have audited the balance sheet of Saudi Arabian Fertilizers Company ("SAFCO") ("Saudi Joint Stock Company") as of December 31, 2012 and the related statements of income, 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 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.

Nasser M. Al-Sagga
License No. 322
17 Rabi' I, 1434
January 29, 2013

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
ترخيص رقم ٩٦ Lic. 96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(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	**3,594,025**	3,279,650
Accounts receivable	4	**917,699**	971,747
Inventories	5	**423,166**	372,102
Prepayments and other current assets	6	**157,154**	103,034
Total current assets		**5,092,044**	4,726,533
Non-current assets			
Investment in an associate	7	**813,721**	901,439
Available for sale investments	8	**448,901**	417,582
Property, plant and equipment	9	**3,500,446**	3,195,106
Home ownership receivables	10	**32,974**	19,434
Intangible assets	12	**144,256**	84,519
Total non-current assets		**4,940,298**	4,618,080
TOTAL ASSETS		**10,032,342**	9,344,613
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accruals	13	**529,458**	342,981
Current portion of term loans	15	**40,000**	120,000
Zakat provision	14	**124,026**	116,738
Total current liabilities		**693,484**	579,719
Non-current liabilities			
Term loans	15	**-**	40,000
Employees' benefit obligations	16	**481,572**	515,142
Total non-current liabilities		**481,572**	555,142
Total liabilities		**1,175,056**	1,134,861
Stockholders' equity			
Share capital	17	**3,333,333**	2,500,000
Statutory reserve	18	**1,666,667**	1,250,000
General reserve	19	**45,105**	45,105
Retained earnings		**1,458,185**	2,341,970
Proposed dividends	20	**2,000,000**	1,750,000
Unrealized gain from available for sale investments	8	**353,996**	322,677
Total stockholders' equity		**8,857,286**	8,209,752
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,032,342**	9,344,613

Ibrahim Mohammed Al-Saif Authorized Board Member	Abdullah Ali Al-Bakr General Manager	Abdulrahman Rashid Al-Zuraiq Finance Manager

The accompanying notes form an integral part of these financial statements

SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012

	Note	2012 SR 000	2011 SR 000
Sales		**4,980,402**	5,051,238
Cost of sales		**(1,372,094)**	(1,285,982)
Gross profit		**3,608,308**	3,765,256
General and administrative expenses	21	**(86,741)**	(91,143)
Income from main operations		**3,521,567**	3,674,113
Financial income		**32,878**	15,861
Financial charges		**(3,561)**	(3,984)
Other income, net	22	**109,584**	111,291
Income before share in results of an associate		**3,660,468**	3,797,281
Share in results of an associate	7	**312,282**	390,481
Income before Zakat		**3,972,750**	4,187,762
Zakat	14	**(106,535)**	(78,000)
Net income for the year		**3,866,215**	4,109,762
EARNINGS PER SHARE:			
Earnings per share from net income (SR)		**11.60**	12.33
Earnings per share from main operations (SR)		**10.56**	11.02
Weighted average number of shares outstanding (in thousands)		**333,333**	333,333

Ibrahim Mohammed Al-Saif Authorized Board Member	Abdullah Ali Al-Bakr General Manager	Abdulrahman Rashid Al-Zuraiq Finance Manager

The accompanying notes form an integral part of these financial statements

SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	2012 **SR 000**	2011 SR 000
OPERATING ACTIVITIES		
Income before zakat	**3,972,750**	4,187,762
Adjustments for:		
Depreciation	**249,621**	248,452
Amortization	**98,237**	65,978
Impairment in value of available for sale investments	**-**	31,462
Share in results of an associate	**(312,282)**	(390,481)
Financial income	**(32,878)**	(15,861)
Financial charges	**3,561**	3,984
Loss on disposal of property, plant and equipment	**270**	874
Changes in operating assets and liabilities		
Accounts receivable	**54,048**	(37,225)
Inventories	**(51,064)**	(26,694)
Prepayments and other current assets	**(52,963)**	(3,780)
Accounts payable and accruals	**152,972**	27,488
Employees' benefit obligations	**(33,570)**	60,548
Home ownership receivables	**25,089**	64,460
Cash from operations	**4,073,791**	4,216,967
Financial charges paid	**(3,561)**	(3,984)
Zakat paid	**(99,247)**	(82,862)
Net cash from operating activities	**3,970,983**	4,130,121
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(573,236)**	(201,393)
Dividends received	**400,000**	275,000
Financial income	**28,027**	15,861
Intangible assets	**(141,399)**	(3,008)
Net cash (used in) from investing activities	**(286,608)**	86,460
FINANCING ACTIVITIES		
Dividends paid	**(3,250,000)**	(3,000,000)
Repayment of term loans	**(120,000)**	(192,857)
Net cash used in financing activities	**(3,370,000)**	(3,192,857)
Net change in cash and cash equivalents	**314,375**	1,023,724
Cash and cash equivalents, January 1	**3,279,650**	2,255,926
CASH AND CASH EQUIVALENTS, DECEMBER 31	**3,594,025**	3,279,650

Ibrahim Mohammed Al-Saif	Abdullah Ali Al-Bakr	Abdulrahman Rashid Al-Zuraiq
Authorized Board Member	General Manager	Finance Manager

The accompanying notes form an integral part of these financial statements

SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2012

	Note	Share capital SR 000	Statutory reserve SR 000	General reserve SR 000	Retained earnings SR 000	Proposed dividends SR 000	Unrealized gain from available for sale investments SR 000	Total SR 000
January 1, 2011		2,500,000	1,250,000	45,105	1,482,208	1,500,000	356,842	7,134,155
Net income for the year		-	-	-	4,109,762	-	-	4,109,762
Dividends paid	20	-	-	-	(1,500,000)	(1,500,000)	-	(3,000,000)
Proposed dividends	20	-	-	-	(1,750,000)	1,750,000	-	-
Movement during the year	8	-	-	-	-	-	(34,165)	(34,165)
December 31, 2011		2,500,000	1,250,000	45,105	2,341,970	1,750,000	322,677	8,209,752
Net income for the year		**-**	**-**	**-**	**3,866,215**	**-**	**-**	**3,866,215**
Bonus shares issued during the year	17	**833,333**	**-**	**-**	**(833,333)**	**-**	**-**	**-**
Transfer to statutory reserve	18	**-**	**416,667**	**-**	**(416,667)**	**-**	**-**	**-**
Dividends paid	20	**-**	**-**	**-**	**(1,500,000)**	**(1,750,000)**	**-**	**(3,250,000)**
Proposed dividends	20	**-**	**-**	**-**	**(2,000,000)**	**2,000,000**	**-**	**-**
Movement during the year	8	**-**	**-**	**-**	**-**	**-**	**31,319**	**31,319**
December 31, 2012		**3,333,333**	**1,666,667**	**45,105**	**1,458,185**	**2,000,000**	**353,996**	**8,857,286**

Ibrahim Mohammed Al-Saif
Authorized Board Member

Abdullah Ali Al-Bakr
General Manager

Abdulrahman Rashid Al-Zuraiq
Finance Manager

1. ORGANISATION AND ACTIVITIES

Saudi Arabian Fertilizers Company (SAFCO) is a Saudi Joint Stock Company (the "Company") incorporated under Royal Decree Number M/13 dated 11 Jumada I 1385H (corresponding to September 7, 1965), which also included its by-laws. The Company was initially registered in the city of Dammam with commercial registration number 2050001841 dated 1 Dhl al-Hijjah 1385H (corresponding to March 24, 1966), and later on the Company's head office was moved to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to May 14, 1991). The previous commercial registration was converted to a branch.

The Company's present principal business activity is the manufacture and conversion of Urea and Ammonia.

The Company holds a a 50% interest in National Chemicals Fertilizers Company (Ibn Al Baytar), a 3.7% equity interest in Arabian Industrial Fibers Company (Ibn Rushd) and a 1.69% equity interest in Yanbu National Petrochemical Company (Yansab).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies adopted by the Company are as follows:

Accounting convention
The financial statements are prepared under the historical cost convention except for the measurement of available for sale investments at fair value.

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 year. The actual results may ultimately differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents consist of bank balances, cash on hand and short term Murabaha deposits that are readily convertible into known amounts of cash and have original maturities of three months or less.

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

Inventories
Inventories are stated at the lower of cost and market value, with due allowance for obsolete and slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts	- Purchase cost on a weighted average basis
Production in progress and finished products	- Cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Investments
After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are classified as available for sale investments and are measured at fair value. Unrealized gains and losses are reported as a separate component of stockholders' equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in stockholders' equity is included in the statement of income for the year.

Investments in companies where the Company effectively participates in the financial and operational decisions of the investee companies, normally when the Company acquires 20% to 50%, are accounted for using the equity method.

Revenues from available for sale investments are recognized when dividends are declared.

Property, plant and equipment
Property, plant and equipment are stated at cost net of accumulated depreciation except for construction work in progress which is stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure on improvements is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease.

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

	Years
Buildings	33
Plant and equipment	5-20
Others	4-10

Impairment
At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible 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.

Capital spare-parts
Capital spare-parts, which are considered essential to ensure continuous plant operation, are classified under tangible assets and are depreciated using the straight line method in accordance with applicable depreciation rates. The following two conditions must apply to all capitalized spare-parts:

- They are not readily available in the market, or unavailable
- Their manufacturing requires an extended time to complete

Intangible assets
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 next planned turnaround, then the previously deferred unamortized costs are immediately expensed and the new turnaround costs are deferred and amortized over the period likely to benefit from such costs.

The amortization expenses are included under cost of sales in the statement of income.

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

Dividends
Dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Zakat
The Company is subject to 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 income. The zakat charge is computed at 2.5% on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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 property, plant and equipment and depreciated over 33 years. Upon signing the contract with employees, the related cost and accumulated depreciation are derecognized and the loans receivable from the employees in respect of the purchase of the housing units are classified under non-current assets and are recovered over a period not exceeding twenty years. Instalments recoverable within twelve months from the date of balance sheet are classified under current assets.

Costs incurred in connection with the employees' housing units, such as administrative costs, infrastructure and financing costs are capitalized with the related assets. Such costs are amortized over a maximum period of five years.

Employees' terminal benefits
Provision is made for amounts payable under the Company's policies applicable to employees' accumulated periods of service at the balance sheet date.

Employees' savings plan
The Company maintains an employees' saving plan for Saudi employees. The contributions from the participants are deposited in a separate bank account and a liability is established for these contributions. The Company's contribution under the saving plan is charged to the statement of income.

Revenue recognition
In general, most of the Company's sales are made to SABIC (the "Marketer"). Upon delivery of the products to the Marketer, sales are recorded at provisional selling prices net of selling, distribution and marketing expenses paid directly by the Marketer. These selling prices are later adjusted based upon actual selling prices received by the Marketer from the third parties. Adjustments are recorded as they become known to the Company.

Operating leases
Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

Foreign currency translation
Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Expenses
Expenses related to executive management are classified as general and administrative expenses. All other costs other than financial charges are considered as production cost.

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

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction for a long period or production of a qualifying asset are capitalized as part of the cost of that asset.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Earnings per share
Basic earnings per share from net income is calculated by dividing net income for the year by the weighted average number of shares outstanding at the year end.

Basic earnings per share from main operations is calculated by dividing income from main operations for the year by the weighted average number of shares outstanding at the year end.

The weighted average number of shares outstanding during the year and for all years presented is adjusted for the change in shares without a corresponding increase in resources.

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.

As a substantial portion of the Company's sales are made to one customer, substantially all of the Company's operations are related to one operating segment which is fertilizers including the production of Urea and Ammonia. Accordingly, segmental analysis by geographic and operating segment has not been presented.

Fair values
For investments traded in organized markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment; in case such value is not reliably determinable the cost is considered as the fair value.

3. CASH AND CASH EQUIVALENTS

	2012 SR 000	2011 SR 000
Bank balances	**86,525**	52,150
Short term Murabaha deposits	**3,507,500**	3,227,500
	3,594,025	3,279,650

The short term Murabaha deposits are kept with local commercial banks and are maintained in Saudi Riyals and US Dollars.

Cash and cash equivalents at the end of the year include employees saving plan deposits held in a separate bank account of SR 25.1 million (2011- SR 28.2 million), which are not available to the Company.

4. ACCOUNTS RECEIVABLE

	2012 SR 000	2011 SR 000
Due from affiliates - trade (note 11)	**915,979**	971,117
Other trade receivables	**1,720**	630
	917,699	971,747

5. INVENTORIES

	2012 SR 000	2011 SR 000
Finished goods	**58,427**	49,755
Raw materials	**9,042**	24,144
Spares and consumables	**311,810**	265,400
Goods in transit	**43,887**	32,803
	423,166	372,102

Inventories at December 31, 2012 are shown net of allowance for slow moving and obsolete spare parts inventory of SR 108 million (2011 – SR 87.8 million).

Spare parts inventories are primarily related to plant and equipment and are accordingly expected to be utilized over more than one year.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	2012 **SR 000**	2011 SR 000
Advances to SABIC (note 11)	**100,502**	53,432
Prepayments	**33,213**	26,875
Home ownership receivables – current portion (note 10)	**12,532**	16,226
Others	**10,907**	6,501
	157,154	103,034

7. INVESTMENT IN AN ASSOCIATE

This represents a 50% interest in National Chemicals Fertilizers Company (Ibn Al Baytar), a limited liability Company registered in Saudi Arabia. The associate is engaged in producing ammonia, urea phosphate compound and liquid fertilizers.

8. AVAILABLE FOR SALE INVESTMENTS

The Company holds a 1.69% equity interest in Yanbu National Petrochemical Company (Yansab) and a 3.7% equity interest in Arabian Industrial Fibers Company (Ibn Rushd). SAFCO is in the process of acquiring further shares in Ibn Rushd to take its percentage holding up to 3.87% upon completion of the legal formalities with the relevant authorities.

	Quoted SR 000	Unquoted SR 000	Total SR 000
Cost			
January 1, 2012	94,905	314,530	409,435
December 31, 2012	**94,905**	**314,530**	**409,435**
Valuation Adjustment:			
January 1, 2012	322,677	-	322,677
Movement during the year	**31,319**	**-**	**31,319**
December 31, 2012	**353,996**	**-**	**353,996**
Impairment Adjustment:			
January 1, 2012	-	(314,530)	(314,530)
December 31, 2012	**-**	**(314,530)**	**(314,530)**
Net book value			
December 31, 2012	**448,901**	**-**	**448,901**
December 31, 2011	417,582	-	417,582

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings SR 000	Plant and equipment SR 000	Others SR 000	Construction work in progress SR 000	Total SR 000
Cost					
January 1, 2012	555,160	4,681,096	48,082	517,028	5,801,366
Additions	**180**	**10,764**	**27,850**	**567,947**	**606,741**
Transfers	**2,008**	**103,033**	**4,146**	**(109,187)**	**-**
Disposals	-	**(1,321)**	**(360)**	-	**(1,681)**
Transferred to home ownership receivables (note 10)	-	-	-	**(34,935)**	**(34,935)**
Transferred to intangible assets (note 12)	-	-	-	**(16,575)**	**(16,575)**
December 31, 2012	**557,348**	**4,793,572**	**79,718**	**924,278**	**6,354,916**
Depreciation					
January 1, 2012	234,708	2,328,308	43,244	-	2,606,260
Charge for the year	**16,133**	**230,900**	**2,588**	-	**249,621**
Disposals	-	**(1,051)**	**(360)**	-	**(1,411)**
December 31, 2012	**250,841**	**2,558,157**	**45,472**	-	**2,854,470**
Net book value					
December 31, 2012	**306,507**	**2,235,415**	**34,246**	**924,278**	**3,500,446**
December 31, 2011	320,452	2,352,788	4,838	517,028	3,195,106

The buildings, plant and equipment are constructed on land leased from Royal Commission for Jubail and Yanbu at a nominal rent for 30 years, which commenced on 1 Shawwal 1411H (corresponding to April 15, 1991). The leases can be renewed by mutual agreement of both parties.

Certain of the Company's property, plant and equipment are pledged as collateral under the loan agreement with Saudi Industrial Development Fund (note 15).

Construction work in progress is mainly related to the construction of SAFCO V, new housing units under the home ownership program and other projects related to the plant.

10. HOME OWNERSHIP RECEIVABLES

These represent mainly amounts due from eligible Saudi employees under the home ownership program. Amounts are repayable over a period not exceeding twenty years and no borrowing costs are charged on the balances.

11. TRANSACTIONS WITH RELATED PARTIES

The majority of SAFCO products are sold through SABIC in accordance with long term marketing agreements. During the year, sales through SABIC represented 100 % (2011: 100%) of the total sales.

SAFCO has a service level agreement with SABIC (Shared Services Organization - SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services. Also, the Company has an agreement for technology and innovation services with SABIC. During 2012, SAFCO's transactions with SABIC in this regard amounted to SR 137 million (2011: SR 146 million).

The management and operational activities of SAFCO and Ibn Al Baytar were consolidated in 1994 and this has no impact on the legal structure of either companies. All of the employees and their related balances were transferred to SAFCO. Charges by SAFCO during the year to Ibn Al Baytar amounted to SR 92 million (2011: SR 97 million).

In 2009 SAFCO signed memorandum of understanding with Saudi Methanol Company (AR-RAZI) in which SAFCO assigned the natural gas previously allocated to its closed factory to AR-RAZI in order to be used for the production of Methanol in AR-RAZI V plant. In return SAFCO is entitled to a pro-rated share in the production of the AR-RAZI V plant. Total cost incurred in respect of this agreement during 2012 amounted to SR 125 million (2011: SR 203 million) where total SAFCO share of the production of AR-RAZI V amounted to SR 242 million (2011: SR 355 million) (note 22).

SAFCO has an agreement with SABTANK for services related to handling of finished goods at port and logistic services. During 2012, charges by SABTANK to SAFCO amounted to SR 33 million (2011: SR 22 million). Out of total amount, services related to Ibn Al Baytar amounting to SR 9 million (2011: SR 8 million) were charged to Ibn Al Baytar.

Amounts due from affiliates are disclosed in notes 4 and 6 and amounts due to affiliates are disclosed in note 13.

Prices and terms of these transactions are approved by the management.

12. INTANGIBLE ASSETS

	Turnaround cost SR 000	Others SR 000	Total SR 000
Cost			
January 1, 2012	198,926	4,269	203,195
Addition	**140,399**	**1,000**	**141,399**
Transfers (note 9)	**16,575**	-	**16,575**
December 31, 2012	**355,900**	**5,269**	**361,169**
Amortization			
January 1, 2012	(116,715)	(1,961)	(118,676)
Charge for the year	**(97,267)**	**(970)**	**(98,237)**
December 31, 2012	**(213,982)**	**(2,931)**	**(216,913)**
Net book value			
December 31, 2012	**141,918**	**2,338**	**144,256**
December 31, 2011	82,211	2,308	84,519

13. ACCOUNTS PAYABLE AND ACCRUALS

	2012 SR 000	2011 SR 000
Trade accounts payable and accruals	**202,098**	113,517
Amounts due to affiliates (note 11)	**163,137**	113,211
Dividends payable	**130,718**	116,253
Capital expenditure payable	**33,505**	-
	529,458	342,981

14. ZAKAT

The principal elements of the zakat base are as follows:

	2012 SR 000	2011 SR 000
Non-current assets	**4,940,298**	4,618,080
Non-current liabilities	**481,572**	555,142
Opening stockholders' equity	**8,209,752**	7,134,155
Net income before zakat	**3,972,750**	4,187,762
Dividends paid	**3,250,000**	3,000,000
Spares and consumables	**311,810**	265,400

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

The movement in zakat provision is as follows:

	2012 SR 000	2011 SR 000
January 1	**116,738**	121,600
Provision for the year	**106,535**	78,000
Payments during the year	**(99,247)**	(82,862)
December 31	**124,026**	116,738

The charge for the year for zakat is as follows:

	2012 SR 000	2011 SR 000
Provision for the year	**106,535**	78,000
Charge in the statement of income	**106,535**	78,000

Status of assessments
The zakat assessments of the Company have been finalized up to year 2006. During the year, the DZIT has issued an assessment for the years 2007 to 2009 amounting to SR 122 million. The Company has submitted an objection to the DZIT in this respect. The Company has not yet received the assessments for years 2010 and 2011 as these are under process with the DZIT.

15. TERM LOANS

	2012 SR 000	2011 SR 000
Saudi Industrial Development Fund	**40,000**	160,000
Less: current portion	**(40,000)**	(120,000)
Non-current portion	**-**	40,000

On 20 June 2004, the Company agreed with Saudi Industrial Development Fund (SIDF) to obtain an additional loan amounting to SR 400 million and consolidate it with the remaining balance of the facility previously obtained amounting to SR 85 million. Accordingly the total outstanding balance became SR 485 million. The loan was obtained to finance the expansion project of SAFCO IV. The balance is payable in 15 semi-annual installments of different amounts. The repayment of the loan started on October 2004. The last installment is due on June 2013. The loan carries appraisal and follow up fees and is secured by a mortgage on the plant and equipment related to the expansion project of SAFCO IV. The agreement also requires the Company to maintain certain financial ratios.

16. EMPLOYEES' BENEFIT OBLIGATIONS

	2012 SR 000	2011 SR 000
Employees' terminal benefits	**430,359**	447,387
Employees' saving plan	**51,213**	67,755
	481,572	515,142

17. SHARE CAPITAL

The share capital of the Company is SR 3,333,333,330 (2011: SR 2,500,000,000), comprising 333,333,333 shares (2011: 250,000,000 shares) of SR 10 each.

The Board of Directors in their meeting on 4 Ramadan 1433H (corresponding to July 23, 2012) proposed to increase the Company's capital from SR 2,500 million to SR 3,333 million by issuing 1 bonus share for every 3 shares, funded from retained earnings, and this was approved by the General Assembly on 21 Muharram, 1434H (corresponding to December 5, 2012). The bonus shares were distributed to the stockholders registered with Tadawul at the General Assembly date.

18. 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 equaled 50% of the share capital. An additional amount has been transferred during the year due to the share capital increase arising from the bonus issue. This reserve is not available for dividend distribution.

19. GENERAL RESERVE

The stockholders have established a general reserve by appropriation from the retained earrings. This reserve can be increased or decreased through stockholders' resolution and can be used as required in the ordinary course of conducting the business of the Company.

20. DIVIDENDS

The board of directors proposed in its meeting held on 4 Muharram, 1433H (corresponding to November 29, 2011) to distribute cash dividends of SR 7 per share for the second half of the year 2011 which was approved by the General Assembly in their meeting held on 19 Jumada' I, 1433H (corresponding to April 11, 2012). The dividend was paid during the second quarter of 2012 to the stockholders registered with Tadawul as at the General Assembly date.

The board of directors decided in its meeting held on 4 Ramadan, 1433H (corresponding to July 23, 2012) to distribute cash dividends of SR 6 per share for the first half of the year 2012. The dividend was paid during the third quarter of 2012 to the stockholders registered with Tadawul as at 13 Ramadan, 1433H (corresponding to August 1, 2012).

The board of directors proposed in its meeting held on 21 Muharram, 1434H (corresponding to December 5, 2012) to distribute cash dividends of SR 6 per share for the second half of the year 2012 to be approved by the General Assembly in their next meeting.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 **SR 000**	2011 SR 000
Technology and innovation cost	**74,478**	76,057
Employee costs	**8,477**	7,642
Other	**3,786**	7,444
	86,741	91,143

22. OTHER INCOME, NET

	2012 **SR 000**	2011 SR 000
Profit from AR-Razi operations (note 11)	**117,413**	152,828
Provision for slow moving and obsolete inventory	**(20,469)**	(14,817)
Impairment of investment	**-**	(31,462)
Settlement of insurance claims	**-**	326
Others	**12,640**	4,416
	109,584	111,291

23. CAPITAL COMMITMENTS

The Board of Directors approved in their meeting held on 11 Muharram 1433H (corresponding to December 6, 2011) the capital expansion project for the new factory (SAFCO V) at the Company's complex located at Jubail city for the manufacturing of Urea at a cost of approximately SR 2,000 million, with an annual capacity of 1.1 million metric tons. The cost incurred as of December 31, 2012 amounts to SR 409 million.

24. RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, investments, other receivables, long term debt, accounts payable and accruals and other liabilities.

Credit Risk is the risk that one party will fail to discharge its 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. Trade accounts receivable are carried net of provision for doubtful debts.

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

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 their 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.

25. COMPARATIVE FIGURES

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