

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

SAUDI INDUSTRIAL INVESTMENT GROUP AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

INDEX	PAGE
Auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of cash flows	4
Consolidated statement of changes in equity	5
Notes to the consolidated financial statements	6-19

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

Scope of Audit

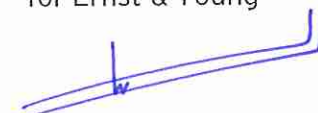
We have audited the accompanying consolidated balance sheet of Saudi Industrial Investment Group (the "Company") and its subsidiary (the "Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

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

- i) Present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and its consolidated results of operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) Comply with the requirements of the Regulations for Companies and the Company's By-Laws, in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young


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



Riyadh: 4 Jumada Al-Awal 1436H
(23 February 2015)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

(Amounts in SR '000)

	Note	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,798,773	1,509,892
Time deposits		559,000	-
Accounts receivable		988,614	688,024
Cash margins, prepayments and other assets	5	121,659	115,409
Amounts due from related parties	6	113,815	152,922
Inventories	7	1,243,139	930,957
TOTAL CURRENT ASSETS		4,825,000	3,397,204
NON-CURRENT ASSETS			
Employees loans	5	49,713	28,572
Deferred charges	8	51,468	74,786
Investments in jointly controlled projects	9	3,154,039	3,233,928
Subordinated loans to jointly controlled projects	10	534,375	270,000
Property, plant and equipment	11	17,735,737	18,369,579
TOTAL NON-CURRENT ASSETS		21,525,332	21,976,865
TOTAL ASSETS		26,350,332	25,374,069
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable		213,705	244,262
Accrued liabilities and other liabilities	12	379,423	381,116
Amounts due to related parties	6	123,618	98,631
Current portion of long term loans	13	1,145,503	925,504
Short term loans		-	600,000
Zakat	14	249,355	176,635
TOTAL CURRENT LIABILITIES		2,111,604	2,426,148
NON-CURRENT LIABILITIES			
Term loans	13	10,822,328	11,967,831
Sukuk	15	1,070,000	-
Subordinated loan from non-controlling partner in a subsidiary	16	1,131,797	1,131,797
Employees' terminal benefits		34,861	22,064
TOTAL NON-CURRENT LIABILITIES		13,058,986	13,121,692
TOTAL LIABILITIES		15,170,590	15,547,840
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	17	4,500,000	4,500,000
Statutory reserve		526,987	433,654
Retained earnings		1,786,459	1,398,259
TOTAL SHAREHOLDERS' EQUITY		6,813,446	6,331,913
Non-controlling interests		4,366,296	3,494,316
TOTAL EQUITY		11,179,742	9,826,229
TOTAL LIABILITIES AND EQUITY		26,350,332	25,374,069

The accompanying notes from 1 to 28 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

(Amounts in SR '000)

	Note	2014	2013
Sales		7,858,516	4,436,677
Cost of sales		(5,559,454)	(3,710,162)
GROSS PROFIT		2,299,062	726,515
Share in earnings of jointly controlled projects, net	9	604,491	880,562
Selling and marketing expenses	18	(492,555)	(310,568)
General and administrative expenses	19	(314,041)	(261,541)
INCOME FROM MAIN OPERATIONS		2,096,957	1,034,968
Financial charges		(172,207)	(202,974)
Other income (expenses), net	20	7,409	(57,844)
INCOME BEFORE NON-CONTROLLING INTEREST AND ZAKAT		1,932,159	774,150
Non-controlling interest share in net (income) loss of the subsidiaries		(871,980)	43,254
INCOME BEFORE ZAKAT		1,060,179	817,404
Zakat	14	(126,846)	(103,325)
NET INCOME		933,333	714,079
EARNINGS PER SHARE (SR)	21		
Attributable to the income from main operations		4,66	2.30
Attributable to net income		2,07	1.59

The accompanying notes from 1 to 28 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(Amounts in SR '000)

	2014	2013
OPERATING ACTIVITIES		
Income before zakat	1,060,179	817,404
Adjustments for:		
Depreciation and amortization	825,865	819,419
Employees' terminal benefits, net	12,797	7,613
Work in progress written off	-	62,396
Gain from disposal of property, plant and equipment	(125)	-
Share in earnings of jointly controlled projects, net	(604,491)	(880,562)
Non-controlling interest share in net income (loss) of the subsidiaries	871,980	(43,254)
	2,166,205	783,016
Changes in operating assets and liabilities:		
Accounts receivable	(300,590)	(445,643)
Cash margins, prepayments and other current assets	(27,391)	(34,268)
Inventories	(312,182)	(501,857)
Related parties, net	64,094	67,310
Accounts payable	(30,557)	(46,095)
Accrued liabilities and other liabilities	(1,693)	254,968
Zakat paid	(54,126)	(55,866)
Net cash from operating activities	1,503,760	21,565
INVESTING ACTIVITIES		
Addition of property, plant and equipment	(168,705)	(583)
Proceeds from disposal of property, plant and equipment	125	-
Additions of investment in jointly controlled projects	-	(361,873)
Dividends received from a jointly controlled project	684,380	918,750
Time deposits	(559,000)	-
Net cash (used in) from investing activities	(43,200)	556,294
FINANCING ACTIVITIES		
Repayments of term loans, net	(925,504)	(565,040)
Sukuk	1,070,000	-
Proceeds from (repayments of) short term loan	(600,000)	600,000
Subordinated loan to jointly controlled projects	(264,375)	(195,000)
Board of directors' remuneration	(1,800)	(1,800)
Subordinated loan from non-controlling partner in a subsidiary company	-	367,500
Dividends paid	(450,000)	(450,000)
Net cash used in financing activities	(1,171,679)	(244,340)
INCREASE IN CASH AND CASH EQUIVALENTS	288,881	333,519
Cash and cash equivalents at the beginning of the year	1,509,892	1,176,373
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,798,773	1,509,892
NON CASH TRANSACTION		
Property, plant and equipment transferred from project under construction (note 11)	-	860,161

The accompanying notes from 1 to 28 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Amounts in SR '000)

	Attributable to the shareholders' equity				Non- controlling interest	Total
	Share capital	Statutory reserve	Retained earnings	Shareholders' equity total		
Balance as at 31 December 2012	4,500,000	362,245	1,207,389	6,069,634	3,537,570	9,607,204
Declared dividends	-	-	(450,000)	(450,000)	-	(450,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	714,079	714,079	-	714,079
Transferred to statutory reserve	-	71,409	(71,409)	-	-	-
Non-controlling interest	-	-	-	-	(43,254)	(43,254)
Balance as at 31 December 2013	4,500,000	433,654	1,398,259	6,331,913	3,494,316	9,826,229
Declared dividends (note 27)	-	-	(450,000)	(450,000)	-	(450,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	933,333	933,333	-	933,333
Transferred to statutory reserve	-	93,333	(93,333)	-	-	-
Non-controlling interest	-	-	-	-	871,980	871,980
Balance as at 31 December 2014	4,500,000	526,987	1,786,459	6,813,446	4,366,296	11,179,742

The accompanying notes from 1 to 28 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

1. ORGANIZATION AND ACTIVITIES

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

The Company is engaged in enhancing the growth and development of the industrial base of the Kingdom, mainly the petrochemicals industry, opening more channels for the exportation of the products and more ways for private sector in the Kingdom to enter into other industries by using petrochemical products after obtaining the required licenses from the relevant authorities.

2. BASIS OF CONSOLIDATION

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

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

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

The subsidiary companies are as follows:

	Shareholding %		Country of Incorporation
	2014	2013	
National Petrochemical Company ("Petrochem")*	50	50	Saudi Arabia

* The subsidiaries of Petrochem are as follows:

	Shareholding %		Country of Incorporation
	2014	2013	
Saudi Polymers Company ("SPCo")	65	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO ("GPDCo")	65	65	United Arab Emirates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

2 BASIS OF CONSOLIDATION (continued)

The subsidiaries of Petrochem are as follows:

a) Saudi Polymers Company (“SPCo”)

Is a mixed limited liability company, registered in Jubail in the Kingdom of Saudi Arabia under registration number 2055008886 dated 29 Dhu Al Qedah 1428H (corresponding to 9 December 2007). SPCo is engaged in production and sale of ethylene, propylene, hexene, gasoline, polyethylene, polypropylene and polystyrene. At 1 October 2012, SPCo completed its trial operation and announced the commercial production.

SPCo plant (the “plant”) has faced certain interruption in production during 2013 due to certain technical problems in certain production units. Further, an unscheduled disruption of production has been announced during March 2014 for 10 days due to disruption in its feedstock supply.

b) Gulf Polymers Distribution Company (“GPDCo”)

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from these estimates.

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

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

Deferred charges/amortization

Deferred charges comprise agency and upfront fees on term loans and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction, until the project is ready for its intended use, and thereafter, is charged to the interim consolidated statement of income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in jointly controlled projects

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

Property, plant and equipment/ depreciation

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

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

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

Work in progress appears at cost until the asset is ready for its intended use, thereafter; it is capitalized on the related assets. Work in progress include the cost of contractors, materials, services, borrowing, salaries and other direct costs and overhead allocated on systematic basis.

Borrowing costs

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

Impairment of assets

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

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

Accounts payable and accruals

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

Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat and income tax

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

Employees' terminal benefits

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

Fair value

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

Statutory reserve

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

Dividends

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

Revenue recognition

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

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

Expenses

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

Foreign currencies

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

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

Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

4. CASH AND CASH EQUIVALENTS

Amounts in SR '000

	2014	2013
Bank balances and cash in hand	1,187,398	95,003
Time deposits	611,375	1,414,889
	<u>1,798,773</u>	<u>1,509,892</u>

5. CASH MARGIN, PREPAYMENTS AND OTHER ASSETS

Amounts in SR '000

	2014	2013
Cash margin against letter of guarantees	52,016	77,510
Prepayments	30,018	20,679
Advances to suppliers	20,996	-
Current portion of employees loans (*)	15,148	14,158
Other assets	3,481	3,062
	<u>121,659</u>	<u>115,409</u>

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

6. RELATED PARTY TRANSACTIONS

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

Amounts in SR '000

Related party	Nature of transactions	Amount of transactions	
		2014	2013
Non-controlling partner in a subsidiary company	Proceeds from subordinated loan	-	367,500
	Marketing fees	317,708	184,997
Board of directors, committees and senior executives	Expenses, remunerations, salaries and benefits	8,527	8,079
Affiliate companies	Services provided	673,835	600,101
	Sales	472,090	492,864
	Purchases	(1,418,644)	(1,037,914)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

6. RELATED PARTY TRANSACTIONS (continued)

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

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

7. INVENTORIES

Amounts in SR '000

	2014	2013
Finished goods	747,888	598,954
Spare parts	303,900	150,019
Raw material	133,718	141,893
Catalyst	57,633	40,091
	<u>1,243,139</u>	<u>930,957</u>

8. DEFERRED CHARGES

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

Amounts in SR '000

	2014	2013
<i>Cost</i>		
At the beginning and ending of the year	<u>238,369</u>	<u>238,369</u>
<i>Amortization</i>		
At the beginning of the year	163,583	131,186
Charged as expenses during the year	<u>23,318</u>	<u>32,397</u>
At the end of the year	<u>186,901</u>	<u>163,583</u>
Net book value	<u>51,468</u>	<u>74,786</u>

9. INVESTMENTS IN JOINTLY CONTROLLED PROJECTS

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

Joint venture	Shareholding %
Saudi Chevron Philips Company (“SCP”)	50%
Jubail Chevron Philips Company (“JCP”)	50%
Petrochemical Conversion Company (“PCC”) (*)	50%

(*) During the year, the Group has announced the commencing of operation of some plants of the project.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

9. INVESTMENTS IN JOINTLY CONTROLLED PROJECTS - continued

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

(Amounts in SR '000)

	2014	2013
At the beginning of the year	3,233,928	2,910,243
Share of income	604,491	880,562
Addition	-	361,873
Dividends	(684,380)	(918,750)
At the end of the year	3,154,039	3,233,928

10. SUBORDINATED LOANS TO JOINTLY-CONTROLLED PROJECTS

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

Subordinated loans balance at 31 December were as following:

(Amounts in SR '000)

	2014	2013
Petrochemical Conversion Company	459,375	195,000
Jubail Chevron Philips Company	75,000	75,000
	534,375	270,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT

Amounts in SR '000	Plant & equipment	Buildings	Furniture and office equipment	Platinum	Vehicle	Leasehold improvement	Work in Progress(*)	Total 2014	Total 2013
<i>Cost:</i>									
At the beginning of the year	18,473,343	679,954	143,862	24,462	29,971	1,048	-	19,352,640	18,491,896
Additions	60,623	-	1,873	-	1,985	-	104,224	168,705	583
Transferred from work in progress	-	-	-	-	-	-	-	-	860,161
Disposal	-	-	-	-	(1,436)	-	-	(1,436)	-
At the end of the year	18,533,966	679,954	145,735	24,462	30,520	1,048	104,224	19,519,909	19,352,640
<i>Depreciation:</i>									
At the beginning of the year	902,470	33,810	37,070	-	8,680	1,031	-	983,061	196,039
Charge for the year	740,784	27,203	28,456	-	6,087	17	-	802,547	787,022
Disposal	-	-	-	-	(1,436)	-	-	(1,436)	-
At the end of the year	1,643,254	61,013	65,526	-	13,331	1,048	-	1,784,172	983,061
Net book amounts:									
At 31 December 2014	16,890,712	618,941	80,209	24,462	17,189	-	104,224	17,735,737	
At 31 December 2013	17,570,873	646,144	106,792	24,462	21,291	17	-		18,369,579

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

The machinery and equipment of the plant are pledged as collaterals against loan facilities (note 13).

(*) As of 31 December 2014, work in progress balance comprises cost of the construction of additional units and facilities for the Plant.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

12. ACCRUED LIABILITIES AND OTHER LIABILITIES

(Amounts in SR '000)	2014	2013
Accrued liabilities	327,885	339,073
Dividends	10,492	10,233
Compensation for priority rights subscription	3,187	3,187
Other liabilities	37,859	28,623
	379,423	381,116

13. TERM LOANS

Term loans represent the outstanding balances from the loan facilities obtained from the following parties to finance the construction work of the plant:

(Amounts in SR '000)	Value	Outstanding Balance	
		2014	2013
Commercial banks syndication	7,054,875	6,270,831	6,693,585
Public Investment Fund	3,000,000	1,947,000	2,970,000
Commercial banks syndication - Guarantee	2,212,500	2,730,000	2,079,750
Saudi Industrial Development Fund	1,200,000	1,020,000	1,150,000
		11,967,831	12,893,335
Less: current portion of term loans			
Commercial banks syndication		422,753	422,754
Public Investment Fund		132,750	240,000
Commercial banks syndication - Guarantee		420,000	132,750
Saudi Industrial Development Fund		170,000	130,000
Current portion of term loans		1,145,503	925,504
Long term portion of term loans		10,822,328	11,967,831

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

14. ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 126.8 million (2013: SR 103.3 million) consists of provision for the current year and as follows:

(Amounts in SR '000)	2014	2013
For the Subsidiary and jointly controlled projects	98,730	74,699
For the Company	28,116	28,626
	126,846	103,325

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)
At 31 December 2014

14. ZAKAT - continued

Movements in provision during the year

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

(Amounts in SR '000)	2014	2013
At the beginning of the year	176,635	129,176
Provided during the year	126,846	103,325
Paid during the year	(54,126)	(55,866)
At the end of the year	249,355	176,635

Status of assessments

The company has filed zakat returns with the Department of Zakat and Income Tax ("DZIT") for all prior years up to 2013. The DZIT has raised the zakat assessments up to 2006 and the Company has agreed on DZIT's assessments up to 2001. The Company has filed an appeal against the assessments for the years 2002 and 2003 before Higher Appeal Committee against certain items disallowed by DZIT which resulted in a difference of SR 24.4 million. The Higher Appeal Committee issued its ruling, reducing the claim amount to SR 12.4 million and the company has filed an appeal against the ruling before the Board of Grievances. Also the company appealed before The Preliminary Appeal Committee against zakat assessments for the years 2004 to 2006 against disallowance of certain items which resulted in a difference of SR 17.5 million, The Committee issued its ruling, reducing the claim to SR 16.8 M. The Company has paid the amount of SR 5.7 million and appealed before the Higher Appeal Committee against the amount of SR 11.1 million. As per the management's assessment, the Company has made adequate provision against items under appeals.

As For Petrochem, Zakat returns have been filed with the Department of Zakat & Income Tax (DZIT) for all prior years up to 2013, and zakat was settled accordingly. The DZIT has raised zakat assessment for the year 2008 which resulted a difference of SR 53 million. The Higher Appeal Committee has issued its ruling during the current year in the favor of Petrochem.

Petrochem and its zakat consultant have filed an appeal against the claim for the year 2010 which resulted in a difference of SR 74.42 million. The Committee has issued its ruling, reducing the claim by the amount of SR 74.10 million. The Company and DZIT appealed against the ruling before The Higher Appeal Committee. The management believes that the ultimate outcome of this appeal will be in the favor of Petrochem.

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

As for SPCo, zakat returns have been filed with the DZIT for previous years up to 2013. The DZIT has raised the zakat assessment for 2008. Final assessments for the years from 2009 to 2013 have not been raised yet by DZIT.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

15. SUKUK

On 25 Shaban 1435H, (corresponding to 23 June 2014), Petrochem (a subsidiary) issued Sukuk amounting to SR 1.2 billion at a par value of SR 1,000,000 each with no discount or premium. The Sukuk issuance bears a variable rate of return at (SIBOR) plus 1.7% margin, payable semi-annually. The Sukuk is due at maturity at par value on its expiry date of 20 Shawal 1440 H (corresponding 23 June 2019).

Sukuk balance of SR 1,070 million in these consolidated financial statements represents issued Sukuk value after eliminating the value of the Group investment in these Sukuk.

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

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

(Amounts in SR '000)	2014	2013
At the beginning of the year	1,131,797	764,297
Proceeds received	-	367,500
	<u>1,131,797</u>	<u>1,131,797</u>

17. SHARE CAPITAL

Share capital is divided into 450 million shares (2013: 450 million shares) of SR 10 each.

18. SELLING AND MARKETTING EXPENSES

(Amounts in SR '000)	2014	2013
Marketing fees (note 6)	317,708	184,997
Warehouses rent and maintenance	94,060	88,774
Distribution and freights	43,235	26,131
Currency exchange	27,133	(8,090)
Employees costs	7,065	6,799
Others	3,354	11,957
	<u>492,555</u>	<u>310,568</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

19. GENERAL AND ADMINISTRATIVE EXPENSES

(Amounts in SR '000)	2014	2013
Employees costs	188,983	155,633
Depreciation	66,657	65,629
Consulting and professional fees	11,267	4,531
Bank Charges	7,964	2,645
Expenses and remuneration of board of directors and committees, salaries and benefits of senior executives	6,267	6,013
Technical and support services	3,416	3,400
Others	29,487	23,690
	<u>314,041</u>	<u>261,541</u>

20. OTHER INCOME (EXPENSES), NET

(Amounts in SR '000)	2014	2013
Income from bank deposits	7,168	4,070
Work in progress written off (*)	-	(62,396)
Others	241	482
	<u>7,409</u>	<u>(57,844)</u>

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

21. EARNINGS PER SHARE

Earnings per share are calculated by dividing income from main operations and net income by the number of outstanding shares amounting to 450 million shares (2013: 450 million shares).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)
At 31 December 2014

22. SEGMENT INFORMATION

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

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

- Saudi Chevron Philips Company ("SCP")
Engaged in produce and sell aromatics, solvents and cyclohexane.
- Jubail Chevron Philips Company ("JCP")
Engaged in manufacturing and selling styrene, mogas blend stock, aromatic benzene, fuel oil, ethyl benzene, ethylene, propylene, liquefied petroleum gas and aromax feed.
- Petrochem
Engaged in the development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants, wholesale and retail trading in petrochemical materials and products.
- Petrochemical Conversion Company ("PCC")
Engaged in nylon 6.6 production, nylon compounds, and other by-products.
- Head office
Represents Head Office operation and related activities under construction.

For the year ended 31 December 2014

Amounts in SR '000	SCP	JCP	Petrochem	PCC	Head office	Elimination and reconciliation of financial statements	Total
Sales	-	-	7,858,516	-	-	-	7,858,516
Gross margin	-	-	2,299,062	-	-	-	2,299,062
Net income (loss)	567,407	65,174	774,451	(28,090)	(58,387)	(387,222)	933,333
Total assets	1,038,283	1,209,374	21,996,850	906,383	6,931,274	(5,731,832)	26,350,332
Total liabilities	-	-	15,182,924	-	117,827	(130,161)	15,170,590

For the year ended 31 December 2013

Amounts in SR '000	SCP	JCP	Petrochem	PCC	Head office	Elimination and reconciliation of financial statements	Total
Sales	-	-	4,436,677	-	-	-	4,436,677
Gross margin	-	-	726,515	-	-	-	726,515
Net income (loss)	692,245	199,908	(66,128)	(11,591)	(133,419)	33,064	714,079
Total assets	1,155,255	1,144,201	21,005,725	934,472	6,454,041	(5,319,625)	25,374,069
Total liabilities	-	-	15,451,007	-	122,125	(25,292)	15,547,840

All of the operational assets of the Group are located in the Kingdom of Saudi Arabia. The sales of the Group are geographically distributed among local sales by 9% (2013: 4%), Asia 57% (2013: 67%) and Europe and Africa by 34% (2013: 29%).

23. CONTINGENT LIABILITIES

During the normal course of business, the local bankers have issued, on behalf of the company and its subsidiary, bank guarantees amounted to SR 2.6 billion, which include the amount of SR 860 million provided from SPCo to the benefit of Saudi Aramco Company for feedstock cost as of 31 December 2014 and 2013.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued)

At 31 December 2014

24. CAPITAL COMMITMENTS

The balance of unused capital expenditure approved by the board of directors in connection with the construction of the additional units and facilities for Saudi Polymers plant was SR 332 million (2013: SR 271.9 million).

25. RISK MANAGEMENT

Commission rate risk

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

Currency risk

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages their liquidity risk by ensuring the availability of bank facilities and monitoring cash flows in a regular basis. The Group's terms of sales require amounts to be paid within 7 to 90 days of the date of sale. Trade payables are normally settled within 30 to 45 days of the date of purchase.

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

The shareholders have approved this proposal during the general assembly dated 1 Rajab 1435H (corresponding to 30 April 2014).

On 26 Safar 1436H (corresponding to 18 December 2014) the board of directors recommended the general assembly to distribute cash dividends at 10% of the par value of share (SR 1 per share) for the year ended 2014, with total dividends of SR 450 million.

The consolidated financial statements have been approved by the board of directors on 4 Jumada Al-Awal 1436H (Corresponding to 23 February 2015).

28. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.