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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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FOR THE YEAR ENDED 31 DECEMBER 2012

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ERNST & YOUNG

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Saudi Industrial Investment Group (the "Company") and its subsidiaries (the "Group") as of 31 December 2012 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 of 31 December 2012 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: 13 Rabi' Al-Thani 1434H
(23 February 2013)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2012
(Amounts in SR '000)

	Note	*2012*	*2011*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**1,774,998**	3,514,959
Accounts receivable, prepayments and other assets	5	**657,350**	410,923
Amounts due from related parties	6	**439,602**	319,258
Inventories	7	**867,933**	356,160
TOTAL CURRENT ASSETS		**3,739,883**	4,601,300
NON-CURRENT ASSETS			
Employees loans	5	**46,909**	45,905
Deferred charges	8	**117,023**	186,968
Projects under construction	9	**1,560,227**	18,286,286
Property, plant and equipment	10	**20,772,379**	2,547,794
TOTAL NON-CURRENT ASSETS		**22,496,538**	21,066,953
TOTAL ASSETS		**26,236,421**	25,668,253
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities	11	**1,184,445**	638,371
Current portion of long term loans	12	**737,852**	197,809
Zakat	13	**129,176**	130,544
TOTAL CURRENT LIABILITIES		**2,051,473**	966,724
NON-CURRENT LIABILITIES			
Long term payables and other liabilities	14	**14,014**	315,670
Amounts due to related parties	6	**39,467**	32,222
Term loans	12	**13,709,296**	14,325,550
Subordinated loan from non-controlling partner	15	**764,296**	14,859
Employees' terminal benefits		**50,674**	39,733
TOTAL NON-CURRENT LIABILITIES		**14,577,747**	14,728,034
TOTAL LIABILITIES		**16,629,220**	15,694,758
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	**4,500,000**	4,500,000
Statutory reserve		**362,245**	308,379
Retained earnings		**1,207,389**	1,174,387
TOTAL SHAREHOLDERS' EQUITY		**6,069,634**	5,982,766
Non-controlling interests		**3,537,567**	3,990,729
TOTAL EQUITY		**9,607,201**	9,973,495
TOTAL LIABILITIES AND EQUITY		**26,236,421**	25,668,253

The accompanying notes from 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2012
(Amounts in SR '000)

	Note	*2012*	*2011*
Sales		**5,556,058**	4,475,966
Cost of sales		**(5,036,220)**	(3,693,696)
GROSS PROFIT		**519,838**	782,270
EXPENSES			
Selling and distribution	17	**(134,941)**	(79,320)
General and administration	18	**(231,058)**	(109,949)
TOTAL EXPENSES		**(365,999)**	(189,269)
INCOME FROM MAIN OPERATIONS		**153,839**	593,001
Financial charges		**(40,471)**	(20,726)
Other income, net	19	**64,241**	19,829
INCOME BEFORE NON-CONTROLLING INTERESTS AND ZAKAT		**177,609**	592,104
Non-controlling interests share in net loss of subsidiaries		**453,162**	43,697
INCOME BEFORE ZAKAT		**630,771**	635,801
Zakat	13	**(92,103)**	(107,281)
NET INCOME		**538,668**	528,520
EARNINGS PER SHARE (SR)	20		
Attributable to income from main operations		**0.34**	1.32
Attributable to net income		**1.20**	1.17

The accompanying notes from 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012
(Amounts in SR '000)

	2012	*2011*
OPERATING ACTIVITIES		
Income before zakat	**630,771**	635,801
Adjustments for:		
Depreciation and amortization	**410,241**	217,060
Employees' terminal benefits, net	**10,941**	12,773
Loss on sale of property, plant and equipment	**13,162**	14
Non-controlling interests share in net loss of subsidiaries	**(453,162)**	(43,697)
	611,953	821,951
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	**(247,431)**	(202,498)
Inventories	**(511,773)**	(100,346)
Related parties, net	**(8,822)**	-
Accounts payable, accrued liabilities and other liabilities	**241,209**	120,022
Zakat paid	**(93,471)**	(86,039)
Net cash (used in) from operating activities	**(8,335)**	553,090
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(129,179)**	(2,363)
Turnaround charges, paid	-	(27,340)
Projects under construction	**(1,827,082)**	(2,153,939)
Net cash used in investing activities	**(1,956,261)**	(2,183,642)
FINANCING ACTIVITIES		
Term loans, net	**(76,211)**	1,598,675
Proceeds from a subordinated loan from a non-controlling partner	**749,437**	-
Non-controlling interests	-	718
Dividends paid	**(448,591)**	(223,077)
Net cash from financing activities	**224,635**	1,376,316
DECREASE IN CASH AND CASH EQUIVALENTS	**(1,739,961)**	(254,236)
Cash and cash equivalents at the beginning of the year	**3,514,959**	3,769,195
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,774,998**	3,514,959
NON CASH TRANSACTION		
Property, plant and equipment transferred from project under construction (note 10)	**18,482,172**	-
Project under construction transferred to affiliates (note 6)	**104,277**	-

The accompanying notes from 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012
(Amounts in SR '000)

	Attributable to the shareholders' equity					
	Share capital	*Statutory reserve*	*Retained earnings*	*Shareholders' equity total*	*Non-controlling interest*	*Total*
Balance as at 31 December 2010	4,500,000	255,527	925,519	5,681,046	4,033,708	9,714,754
Declared dividends (note 26)	-	-	(225,000)	(225,000)	-	(225,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	528,520	528,520	(43,697)	484,823
Transferred to statuary reserve	-	52,852	(52,852)	-	-	-
Non-controlling interest	-	-	-	-	718	718
Balance as at 31 December 2011	4,500,000	308,379	1,174,387	5,982,766	3,990,729	9,973,495
Declared dividends (note 26)	-	-	(450,000)	(450,000)	-	(450,000)
Board of directors remuneration	-	-	(1,800)	(1,800)	-	(1,800)
Net income for the year	-	-	538,668	538,668	-	538,668
Transferred to statuary reserve	-	53,866	(53,866)	-	-	-
Non-controlling interest	-	-	-	-	(453,162)	(453,162)
Balance as at 31 December 2012	**4,500,000**	**362,245**	**1,207,389**	**6,069,634**	**3,537,567**	**9,607,201**

The accompanying notes from 1 to 27 form part of these consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group ("the Company") is a Saudi joint stock company registered 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 the relevant authorities.

2. BASIS OF CONSOLIDATION

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

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. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control

A jointly controlled entity is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

In the consolidated financial statements, the Group reports its interests in jointly controlled entities using proportionate consolidation, whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities is combined on a line-by-line basis with the equivalent items in the Group's consolidated financial statements. In May 2011, the International Accounting Standard Board (IASB) issued its International Financial Reporting Standard (IFRS 11), Joint Arrangements. IFRS 11 requires entities to account for joint ventures using the equity method. IFRS 11 removes the option of proportionate consolidation set out in International Accounting Standard (IAS 31), Interest in Joint Ventures, which has been adopted by Saudi Organization for Certified Public Accountants ("SOCPA") and applied by the Company in 2012 and prior years. The application of IFRS 11 is effective for the annual periods starting on or after 1 January 2013, and the Group will adopt it in 2013.

The financial statements of the subsidiaries and joint ventures are prepared using accounting policies which are consistent with those of the Company.

The financial statements of the subsidiaries and joint ventures are consolidated from the date on which the Company is able to exercise effective management control over the subsidiaries.

Non- controlling interest in the net assets of consolidated subsidiaries is identified separately from the Company's 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.

2 BASIS OF CONSOLIDATION (continued)

The subsidiaries and joint controlled companies are as follows:

Subsidiary/Joint Venture		Shareholding % 2012	Shareholding % 2011	Country of Incorporation
National Petrochemical Company ("Petrochem") and its subsidiaries *	Subsidiary	**50**	50	Saudi Arabia
Saudi Chevron Philips ("SCP")	Joint venture	**50**	50	Saudi Arabia
Jubail Chevron Philips ("JCP")	Joint venture	**50**	50	Saudi Arabia
Petrochemical Conversion Company ("PCC")	Joint venture	**50**	50	Saudi Arabia
Saudi Nylon Company, Saudi Benzene Company, Saudi Paraxylene Company and Saudi Cyclohexane Company (the "Local Entities") **	Subsidiaries	-	100	Saudi Arabia

* The subsidiaries of Petrochem are as follows:

		Shareholding % 2012	Shareholding % 2011	Country of Incorporation
Saudi Polymers Company ("SPCo")	Subsidiary	**65**	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO ("GPDCo")	Subsidiary	**65**	65	United Arab of Emirates

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

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

  The subsidiaries of Petrochem are as follows:

  a) **Saudi Polymers Company ("SPCo")**
  Is a mixed limited liability company, registered in Jubail in the Kingdom of Saudi Arabia under registration number 2055008886 dated 29 Dhu Al Qedah1428H (corresponding to 9 December 2007). SPCo is engaged in production and sale of ethylene, propylene, hexene, gasoline, high and low density polyethylene, polypropylene and polystyrene. SPCo completed its trial operation and announced the commercial production during the year, which effected the financial statements of the Group. Subsequently to this announcement, the plant has ceased its commercial production due to the some technical problems in some of its production units. Subsequently on 8 Rabi' Al-awwal 1434H (corresponding 20 January 2013) the company has announced the gradual resumption of the commercial production..

  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 SPCo's polymer products.

- **SAUDI CHEVRON PHILLIPS COMPANY LIMITED ("SCP")**
  A limited liability company registered in Jubail in the Kingdom of Saudi Arabia under commercial registration number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996) with a branch in Jubail under commercial registration number 2055003839. SCP was established to develop, construct and operate petrochemical plants in Jubail, Saudi Arabia, to produce and sell aromatics, solvents and cyclohexane.

2. BASIS OF CONSOLIDATION (continued)

- **JUBAIL CHEVRON PHILLIPS COMPANY LIMITED ("JCP")**
  A limited liability company registered in Jubail in the Kingdom of Saudi Arabia under commercial registration number 2055005901 dated 25 Jumada Thani 1424H (corresponding to 23 August 2003). JCP is engaged in manufacturing and selling styrene, mogas blendstock, aromatic benzene, fuel oil, ethyl benzene, ethylene, propylene, liquefied petroleum gas and aromax feed.

- **PETROCHEMICAL CONVERSION COMPANY ("PCC")**
  A limited liability company registered in Jubail in the Kingdom of Saudi Arabia under commercial registration number. 2055013878 dated 29 Sha'aban 1433H (corresponding to 30 July 2011). PCC is engaged in producing Nylon 6.6, Nylon components and other related products, based on Saudi General Investment Authority license no. (11320510092). PCC is expected to start commercial operation of the plant during the year 2013.

- **THE LOCAL ENTITIES**
  Represent each of Saudi Nylon Company, Saudi Paraxylene Company, Saudi Cyclohexane Company and Saudi Benzene Company. Those companies are registered under commercial registrations number 1010237076 dated 5 Sha'aban 1428H (corresponding to 18 August 2007), 1010237075 dated 5 Sha'aban 1428H (corresponding to 18 August 2007), 1010237078 dated 5 Sha'aban 1428H (corresponding to 18 August 2007) and 1010237077 dated 5 Sha'aban 1428H (corresponding to 18 August 2007), respectively.

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 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 investments 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, spares 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred charges/amortization
Deferred charges comprise agency and upfront fees and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction, and thereafter, is charged to the consolidated statement of income.

Included in deferred charges, 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.

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

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

	Years		Years
Plant and equipments	5- 25	Vehicles	4
Buildings	20	Leasehold improvements	5
Office equipment and furniture	3.33-10		

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 financial 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 Petrochem or its subsidiaries has an obligation (legal or constructive) arising from a past event, and the costs to settle these obligation are both probable and may be measured reliably

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Employees' terminal benefits
Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the 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 set aside 10% of its net income in each year. 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.

Expenses
Selling expenses are those that specifically relate to delivery and marketing. 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..

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

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 incorporation.

4. CASH AND CASH EQUIVALENTS

Amounts in SR '000	*2012*	*2011*
Time deposits	**1,045,875**	3,179,340
Bank balances and cash in hand	**729,123**	335,619
	1,774,998	3,514,959

5. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

Amounts in SR '000	*2012*	*2011*
Trade receivables	**484,738**	198,662
Cash margin against letter of guarantees	**77,510**	77,510
Prepayments	**42,892**	36,698
Current portion of employees loans (*)	**7,597**	7,583
Accrued income on bank deposits	**2,472**	2,046
Advances to suppliers	**-**	16,601
Other assets	**42,141**	71,823
	657,350	410,923

(*) Employees loans are commission free housing loans for eligible Saudi employees 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* 2012	2011
Non-controlling partner' affiliated company	Sales	**2,176,631**	2,090,473
	Purchases	**156,548**	198,159
	Marketing fees (note 17)	**99,450**	65,558
	Projects under construction transferred to affiliate	**104,277**	-
Affiliate company	Sales	**13,331**	-
Non-controlling partner	Proceeds of subordinated loan	**749,437**	-
	Expenses paid on behalf	**-**	51,697
Board of directors, committees and executives of the Company	Expenses, remunerations, salaries and benefits	**9,641**	7,066

6. RELATED PARTY TRANSACTIONS (continued)

A substantial portion of sales of SCP, JCP 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 consolidation balance sheet.

7. INVENTORIES

Amounts in SR '000	*2012*	*2011*
Finished goods	**361,427**	221,020
Spare parts	**230,316**	19,150
Raw material	**199,296**	93,754
Catalyst	**76,894**	22,236
	867,933	356,160

8. DEFERRED CHARGES

Deferred charges consists of agency and upfront fees on the term loan and amortized over the period of the related loans, also its include the turnaround costs which are deferred and amortized over the period until the date of the next planned turnaround, as follow:

Amounts in SR '000

	Turnaround	*Financial charges*	***2012 Total***	*2011 Total*
Cost				
At the beginning of the year	80,656	271,124	**351,780**	324,440
Additions	-	-	-	27,340
At the end of the year	80,656	271,124	**351,780**	351,780
Amortization				
At the beginning of the year	49,281	115,531	**164,812**	83,420
Capitalized on projects under construction during the year	-	33,308	**33,308**	45,949
Charged as expenses during the year	24,605	12,032	**36,637**	35,443
At the end of the year	73,886	160,871	**234,757**	164,812
Net book value	**6,770**	**110,253**	**117,023**	186,968

9. PROJECTS UNDER CONSTRUCTION

Amounts in SR '000	*2012*	*2011*
Construction of polymers plant	**889,504**	18,014,778
Studies and construction of nylon plant	**670,723**	213,771
Other projects	-	57,737
	1,560,227	18,286,286

Saudi polymers plant (the "Plant"). The plant has completed its trial operation and announced its commercial production during the current year. Therefore, the balances related to the plant construction after this announcement have been transferred to the property, plant and equipment amounting SR 18,482,172 (note 10). The plant thereafter has ceased its commercial production due to the some technical problems in some of its units. Subsequently on 8 Rabi' Al-awwal 1434H (corresponding 20 January 2013) the company has announced the gradual resumption of the commercial production.

The nylon plant is constructed on land leased from the Royal Commission for Jubail and Yanbu. The lease is initially for a period of 30 years commencing from 29 Safar 1432H (corresponding to 2 February 2011) and is renewable for further periods thereafter. The nylon project is expected to start commercial operations during the year 2013.

10. PROPERTY, PLANT AND EQUIPMENT

Amounts in SR '000	*Plant & equipment*	*Buildings*	*Furniture and office equipment*	*Platinum*	*Vehicle*	*Leasehold improvement*	***Total 2012***	*Total 2011*
Cost:								
At the beginning of the year	3,439,995	134,821	24,483	48,987	11,251	1,049	**3,660,586**	3,566,697
Additions	1,048	36	119,750	-	8,345	-	**129,179**	2,363
Disposals	(87)	(32,588)	-	-	(85)	-	**(32,760)**	(481)
Transferred from projects under construction (Note 9)	17,716,462	700,218	21,015	24,758	19,719	-	**18,482,172**	92,007
At the end of the year	21,157,418	802,487	165,248	73,745	39,230	1,049	**22,239,177**	3,660,586
Depreciation:								
At the beginning of the year	1,058,872	33,102	12,111	-	7,859	848	**1,112,792**	928,316
Charge for the year	349,947	10,973	8,929	-	3,663	92	**373,604**	184,943
Disposals	-	(19,598)	-	-	-	-	**(19,598)**	(467)
At the end of the year	1,408,819	24,477	21,040	-	11,522	940	**1,466,798**	1,112,792
Net book amounts:								
At 31 December 2012	**19,748,599**	**778,010**	**144,208**	**73,745**	**27,708**	**109**	**20,772,379**	
At 31 December 2011	2,381,123	101,719	12,372	48,987	3,392	201		2,547,794

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.

11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

Amounts in SR '000	*2012*	*2011*
Trade payables	**668,127**	256,566
Accrued expenses	**238,094**	357,431
Financial charges	**135,243**	7,916
Dividends	**63,391**	8,406
Retention payable	**7,238**	-
Compensation for priority rights subscription	**3,187**	3,187
Other liabilities	**69,165**	4,865
	1,184,445	638,371

12. TERM LOANS

Term loans represent the drawn portion out of loan facilities obtained by SPCo and JCP ("Borrowing Companies") to finance their projects. The drawn portion is analyzed as follows:

Amounts in SR '000	*2012*	*2011*
Commercial banks syndication	**9,656,784**	9,695,068
Public Investment Fund	**3,380,363**	3,464,888
Saudi Industrial Development Fund	**1,410,001**	1,363,403
	14,447,148	14,523,359
Less: current portion of term loans	**(737,852)**	(197,809)
	13,709,296	14,325,550

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

13. ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 92 million (2011: SR 107 million) consists of provision for the current year and as follows:

Amounts in SR '000	*2012*	*2011*
For the Company	**27,466**	32,529
For the Subsidiaries	**64,637**	60,752
Provision for prior years	**-**	14,000
	92,103	107,281

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

13. ZAKAT (continued)

Movements in provision during the year

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

Amounts in SR '000	*2012*	*2011*
At the beginning of the year	**130,544**	109,302
Provided during the year	**92,103**	107,281
Paid during the year	**(93,471)**	(86,039)
At the end of the year	**129,176**	130,544

Status of assessments

Zakat returns have been filed with the Department of Zakat and Income Tax ("DZIT") for all prior years up to 2011. The DZIT has raised the final 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 the Higher Appeal Committee, and before DZIT for the years 2004 to 2006 against disallowance of certain items included in the assessments which resulted in a difference of SR 24,416,738 and SR 17,521,365, respectively. As per the management's assessment, the Company in 2011 has made an additional provision for items under appeal by SR 14 millions to become SR 34 million.

As for Petrochem, its zakat returns, has been filed with DZIT for all prior years up to 2011, and zakat was settled accordingly. The DZIT has raised the final zakat assessments up to 2010. Petrochem has filed an appeal against the assessment for the year 2008 before the Higher Appeal Committee, with differences of SR 53 million. The appeal is still pending. Based on the zakat consultant's opinion, the management believes that the ultimate outcome of this appeal will be in the favor of Petrochem.

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

As for SPCo, zakat returns have been filed with the DZIT for previous years up to 2011. The DZIT has raised the zakat assessment for 2008. Final assessments for the years from 2009 to 2011 have not been raised yet by DZIT.

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

As for SCP, zakat returns have been filed with the DZIT for all prior years up to 2011. DZIT raised assessments for the years from 1997 to 2004 with additional zakat liabilities of SR 47.6 million. SCP has filed an appeal against these assessments, which is still pending. The management believes that the ultimate outcome will be in its favor.

As for JCP, zakat returns have been filed with the DZIT for the years from 2006 to 2011. DZIT raised final assessments for the years 2004 and 2005.

As for PCC, zakat returns have been filed with the DZIT for the year 2011. The assessment from DZIT has not been raised yet.

14. LONG TERM PAYABLES AND OTHER LIABILITIES

Amounts in SR '000	*2012*	*2011*
Contractors payables	**14,014**	247,338
Retention payable	-	12,551
Other liabilities	-	55,781
	14,014	315,670

15. SUBORDINATED LOAN FROM A NON-CONTROLLING PARTNER

Subordinated loan from a non-controlling partner is commission free loan granted to SPCo and its settlement is subject to the minimum level required to be maintained by the terms of the loan facility agreements (note 12). The movement of the subordinated loan during the year is analyzed as follows:

Amounts in SR '000	*2012*	*2011*
At the beginning of the year	**14,859**	14,859
Proceeds received	**749,437**	-
	764,296	14,859

16. SHARE CAPITAL

Share capital is divided into 450 million shares (2011: 450 million shares) of SR 10 each.

17. SELLING AND DISTRIBUTION EXPENSES

Amounts in SR '000	*2012*	*2011*
Marketing fees (note 6)	**99,450**	65,558
Supporting services	**19,905**	7,594
Employees costs	**3,181**	1,457
Others	**12,405**	4,711
	134,941	79,320

18. GENERAL AND ADMINSTRATION EXPENSES

Amounts in SR '000	*2012*	*2011*
Employees costs	**140,875**	66,026
Depreciation	**37,494**	4,322
Rent	**27,757**	24,414
Fees of the Company's board of directors, and salaries and benefits of executives	**7,841**	5,266
Others	**17,091**	9,921
	231,058	109,949

19. OTHER INCOME

Amounts in SR '000	*2012*	*2011*
Income on bank deposits	**16,251**	19,298
Income from trial products of Saudi Polymers plant, net	**50,776**	-
Losses from disposal of property, plant and equipment	**(13,162)**	(14)
Others	**10,376**	545
	64,241	19,829

20. 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 (2011: 450 million shares).

21. CONTINGENT LIABILITIES

During the normal course of business, the Group's bankers have issued, on its behalf, bank guarantees amounted to SR 3.2 billion (2011: SR 3.2 billion). These contingent liabilities are secured partially or in full against cash security or cash margin.

22. SEGMENT INFORMATION

These are attributable to the Group's business segment approved 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 organizational segments:

- Saudi Chevron Philips ("SCP")
- Jubail Chevron Philips ("JCP")
- Petrochem
- Head office

For the year ended 31 December 2012

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	**Total**
Sales	7,649,663	7,541,591	857,875	-	(10,493,071)	**5,556,058**
Gross margin	1,452,094	644,362	(478,862)	-	(1,097,756)	**519,838**
Net income (loss)	1,293,896	458,095	(463,537)	538,668	(1,288,454)	**538,668**
Total assets	4,102,509	5,416,828	20,386,608	6,175,261	(9,844,785)	**26,236,421**
Total liabilities	1,239,932	3,528,233	14,755,570	105,627	(3,000,142)	**16,629,220**

For the year ended 31 December 2011

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	**Total**
Sales	7,079,100	7,033,609	-	-	(9,636,743)	4,475,966
Gross margin	994,361	570,180	-	-	(782,271)	782,270
Net income (loss)	893,784	378,184	(64,103)	528,520	(1,207,865)	528,520
Total assets	4,349,907	5,578,024	19,743,169	6,285,979	(10,288,826)	25,668,253
Total liabilities	1,318,726	4,147,525	13,389,489	228,311	(3,389,293)	15,694,758

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 28%, Asia 39.5%, Arabian Gulf 20 %, and Europe by 12.5%.

23. CAPITAL COMMITMENTS

The balance of unused capital expenditure commitment approved by the board of directors of the Group in connection with the construction of the Nylon and conversion projects was SR 1.1 billion (2011: SR 1.7 billion). 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 SR 39.4 million (2011: SR 358 million related to the plant construction).

The balance of unused capital expenditure approved by the board of directors of SCP & JCP in connection with the plants activities was SR 87 million (2011: SR 32 million).

24. 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 their commission bearing assets and liabilities, including time deposits and term loans.

24. RISK MANAGEMENT (continued)

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

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

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

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

On 30 Muhurram 1433H (corresponding to 25 December 2011) the board of directors recommended the general assembly to distribute cash dividends at 10% of nominal value of share (SR 1 per share) for the year ended 2011 with total dividends of SR 450 million.
The shareholders have approved this proposal during the general assembly dated 16 Jumada Awal 1433H (corresponding to 8 April 2012).

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

The consolidated financial statements have been approved by the board of directors on 13 Rabi' Al-Thani 1434H (Corresponding to 23 February 2013).

27. COMPARATIVE FIGURES

Certain of the prior year figures have been re-classified to conform with the current year's presentation.