

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2013 AND LIMITED REVIEW REPORT**

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND YEAR ENDED DECEMBER 31, 2013**

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LIMITED REVIEW REPORT

January 20, 2014

To the Shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the interim consolidated income statement for the three-month period and year ended December 31, 2013, and the interim consolidated statement of cash flows for the year then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers


By: _____
Omar M. Al-Sagga
License No. 369

*PricewaterhouseCoopers, Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (13) 849-6311, F: +966 (13) 849-6281, www.pwc.com/middle-east*

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013 (Unaudited)	2012 (Audited)
Assets			
Current assets			
Cash and cash equivalents		178,385,518	203,268,903
Accounts receivable		134,524,082	170,662,856
Inventories		129,842,629	125,140,555
Prepayments, advances and other receivable		20,917,886	14,983,506
		<u>463,670,115</u>	<u>514,055,820</u>
Non-current assets			
Investment in an associate	1	90,328	-
Property, plant and equipment		179,171,500	187,775,281
		<u>179,261,828</u>	<u>187,775,281</u>
Total assets		<u>642,931,943</u>	<u>701,831,101</u>
Liabilities			
Current liabilities			
Accounts payable		25,047,144	54,824,065
Accrued and other liabilities		23,118,884	38,303,500
Zakat and income taxes payable		7,841,531	12,012,546
		<u>56,007,559</u>	<u>105,140,111</u>
Non-current liabilities			
Employee termination benefits		23,054,629	20,870,920
Total liabilities		<u>79,062,188</u>	<u>126,011,031</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital		275,000,000	275,000,000
Statutory reserve		38,505,742	34,067,958
Retained earnings		151,380,809	152,690,550
Total shareholders' equity		<u>464,886,351</u>	<u>461,758,508</u>
Non-controlling interests		<u>98,983,404</u>	<u>114,061,562</u>
Total equity		<u>563,869,755</u>	<u>575,820,070</u>
Total liabilities and equity		<u>642,931,943</u>	<u>701,831,101</u>
Contingencies and commitments	5		

The notes on pages from 7 to 10 form an integral part of these consolidated financial statements.


Khalid Al-Moammer
Authorized Board Member


Saleh Al-Yami
Chief Executive Officer


أسامة فاروق
المراقب المالي


BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended December 31,		Year ended December 31,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Audited)
Sales	140,563,375	175,795,087	658,950,842	702,691,144
Cost of sales	(108,242,238)	(126,572,038)	(497,536,014)	(512,287,596)
Gross profit	32,321,137	49,223,049	161,414,828	190,403,548
Operating expenses				
Selling and distribution	(18,564,176)	(15,759,216)	(46,845,371)	(43,498,906)
General and administrative	(3,618,326)	(5,789,932)	(33,911,809)	(36,923,534)
Income from operations	10,238,635	27,673,901	80,657,648	109,981,108
Other income (expenses)				
Financial income	-	-	148,683	-
Other, net	797,803	(2,000,747)	282,727	(477,169)
Income before zakat and non-controlling interests	11,036,438	25,673,154	81,089,058	109,503,939
Zakat	(2,124,943)	(2,684,212)	(8,090,608)	(7,977,874)
Income before non-controlling interests	8,911,495	22,988,942	72,998,450	101,526,065
Non-controlling interests	(5,200,584)	(8,086,551)	(28,620,607)	(37,075,264)
Net income for the period / year	3,710,911	14,902,391	44,377,843	64,450,801
Earnings per share (Saudi Riyals):				
• Operating income	0.37	1.01	2.93	3.99
• Net income for the period / year	0.13	0.54	1.61	2.34
Weighted average number of shares outstanding (Note 2.17)	27,500,000	27,500,000	27,500,000	27,500,000

The notes on pages from 6 to 10 form an integral part of these interim consolidated financial statements.


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Authorized Board Member


Saleh Al-Yami
Chief Executive Officer



أسامة فاروق
المراقب المالي


BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013 (Unaudited)	2012 (Audited)
Cash flow from operating activities			
Net income for the year		44,377,843	64,450,801
Adjustments for non-cash items			
Depreciation		22,470,872	21,854,012
Gain on disposal of property and equipment		(436,262)	(246,952)
Share in net loss of an associate	1	12,172	-
Income applicable to non-controlling interests		28,620,607	37,075,284
Changes in working capital			
Accounts receivable		36,138,774	(25,504,297)
Inventories		(4,702,074)	5,693,976
Prepayments advances and other receivable		(5,934,380)	6,178,386
Accounts payable		(29,776,921)	(10,030,055)
Accrued and other liabilities		(15,184,816)	(222,321)
Zakat and income taxes payable		(4,171,015)	2,285,157
Employee termination benefits		2,183,709	3,217,859
Net cash generated from operating activities		73,598,709	104,751,830
Cash flow from investing activities			
Investment in an associate	1	(102,500)	-
Purchase of property, plant and equipment		(14,074,779)	(14,030,906)
Proceeds from disposal of property and equipment		643,950	1,526,240
Net cash utilized in investing activities		(13,533,329)	(12,504,666)
Cash flow from financing activities			
Repayments of short-term borrowings		-	(5,000,000)
Dividends paid	4	(41,250,000)	(27,500,000)
Dividends paid by subsidiaries to non-controlling interests		(38,425,000)	(43,575,000)
Other changes in non-controlling interests		(5,273,765)	(9,009,551)
Net cash utilized in financing activities		(84,948,765)	(85,084,551)
Net change in cash and cash equivalents		(24,883,385)	7,162,613
Cash and cash equivalents at beginning of year		203,268,903	196,106,290
Cash and cash equivalents at end of year		178,385,518	203,268,903

The notes on pages from 6 to 10 form an integral part of these interim consolidated financial statements.


Khalid Al-Moammer
 Authorized Board Member


Saleh Al-Yami
 Chief Executive Officer


أسامة فاروق
 المراقب المالي

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period and year ended December 31, 2013
(All amounts in Saudi riyals unless otherwise stated)

1 General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as indicated below. The Group is principally engaged in the manufacturing of chemicals for gas and oil treatment, hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite and other chemicals associated with concrete treatment chemicals, anticking chemicals for detergents, textiles and mines, hot-melt and cold-melt adhesive materials and to produce and sell polyol chemical systems and other chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of the above products also management and maintenance of projects and factories.

The Company is a Saudi joint stock company and is registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (February 2, 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

During 2013, the Company has signed a Memorandum of Understanding with CP Kelco, a US company, to jointly build and operate a xanthan gum facility to be located at Jubail. The Company is currently reviewing the project feasibility and no developments or commitments have been made as at December 31, 2013.

The accompanying interim consolidated financial statements include the accounts of the Company and its directly controlled subsidiaries as mentioned below:

	Effective ownership at	
	December 31,	
	2013	2012
Basic Chemicals National Company Limited ("BCNC")	100%	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	100%	100%
Saudi Water Treatment Company Limited ("SWTC")	100%	100%
Huntsman APC ("HAPC")	49%	49%
National Adhesives Company Limited ("NAL")	47%	47%

HAPC and NAL are consolidated as they are controlled and managed by the Company.

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under commercial registration No. 56892 issued on 12 Ramadhan 1433 H (July 31, 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents and related materials. CMDC accounts for this investment as an associate as it does not have the control.

These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2012.

The accompanying interim consolidated financial statements were approved by the Company's management on January 20, 2014.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2012 annual audited consolidated financial statements of the Group.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
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2.2 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which will, by definition, seldom equal the related actual results.

2.3 Foreign currency translations

(a) Reporting currency

These interim consolidated financial statements are presented in Saudi Riyals, which is the reporting currency of the Group.

(b) Transactions and balances

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

2.4 Cash and cash equivalents

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

2.5 Accounts receivable

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

2.6 Inventories

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

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

2.7 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

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

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

2.8 Property, plant and equipment

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

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15
• Furniture, fixtures and office equipment	3 - 5
• Motor vehicles	4 - 7

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

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

2.9 Impairment of non-current assets

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

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2.10 Accounts payable and accruals

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

2.11 Zakat and tax

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.12 Employee termination benefits

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

2.13 Revenues

Revenues are recognized upon delivery of products or on the performance of services. Revenues are shown net of certain expenses, and after eliminating sales within the Group.

2.14 Selling, distribution and general and administrative expenses

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

2.15 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

2.16 Operating leases

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

2.17 Earnings per share

Earnings per share for the three-month period and year ended December 31, 2013 and 2012 has been computed by dividing the operating income and net income for each period by weighted average number of shares outstanding during such periods.

2.18 Segment reporting

(a) Business segment

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

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

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(b) Geographical segment

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

2.19 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

2.20 Reclassification

Certain amounts in the comparative 2012 interim consolidated financial statements have been reclassified to conform to 2013 presentation.

3 Segment information

The Group operates principally in the following major business segments:

- (i) Manufacturing, selling and trading of various types of chemicals;
- (ii) Manufacturing and selling of adhesive and other materials.

Selected financial information for the years ended December 31, 2013 and 2012, summarized by the above business segments, was as follows:

	Chemicals	Adhesive and other materials	Total
2013 (Unaudited)			
Sales	366,261,326	292,689,516	658,950,842
Net income	26,286,961	18,090,882	44,377,843
Total assets	437,992,429	204,939,514	642,931,943
	Chemicals	Adhesive and other materials	Total
2012 (Audited)			
Sales	356,945,177	345,745,967	702,691,144
Net income	32,538,341	31,912,460	64,450,801
Net assets	424,908,178	276,922,923	701,831,101

The Group's operations are principally conducted in Saudi Arabia.

4 Dividends

The shareholders of the Company approved dividends of Saudi Riyals 1.5 per share, amounting to Saudi Riyals 41.25 million, during the year ended December 31, 2013 which were fully paid during the year.

5 Contingencies and commitments

- (i) The Group was contingently liable as of December 31, 2013 for bank guarantees and performance bonds issued in the normal course of the business amounting Saudi Riyals 8.4 million (2012: Saudi Riyals 11.24 million); and
- (ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2013 was approximately Saudi Riyals 52 million (2012: Saudi Riyals 14.5 million).