

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

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

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

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

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## AUDITORS' REPORT

To the stockholders  
NAMA Chemicals Company  
Al-Jubail, Saudi Arabia

### Scope of Audit

We have audited the consolidated balance sheet of NAMA Chemicals Company ("the Company"), (a Saudi Joint Stock Company) and subsidiaries as of December 31, 2012 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and notes 1 to 23 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and the results of their operations and cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company and its subsidiaries, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

### Other Matters

Without qualifying our opinion, we draw attention to note 8 (iii) to the consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi  
License No. 378  
17 Rabi I, 1434  
January 29, 2013



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

	Note	2012 SR 000	2011 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	104,819	122,549
Time deposits		-	50
Trade receivables		143,959	136,660
Inventories	4	119,448	113,536
Advances, prepayments and other receivables		12,677	24,450
<b>Total current assets</b>		<b>380,903</b>	<b>397,245</b>
<b>Non-current assets</b>			
Time deposits	11	92,900	92,900
Available for sale investments	5	148,269	138,717
Other non-current asset	6	10,000	10,000
Cost of projects under development	7	100,230	328,994
Property, plant and equipment	8	1,795,417	1,418,271
Intangible assets	9	31,473	6,359
<b>Total non-current assets</b>		<b>2,178,289</b>	<b>1,995,241</b>
<b>TOTAL ASSETS</b>		<b>2,559,192</b>	<b>2,392,486</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short term borrowings	10	42,402	59,344
Current portion of long term debts	11	55,000	23,350
Accounts payable		131,442	91,893
Accrued expenses and other payables		72,935	57,711
<b>Total current liabilities</b>		<b>301,779</b>	<b>232,298</b>
<b>Non-current liabilities</b>			
Long-term debts	11	854,702	743,000
End-of-service indemnities	12	22,913	20,121
Interest rate swap	11	11,289	14,882
<b>Total non-current liabilities</b>		<b>888,904</b>	<b>778,003</b>
<b>Stockholders' equity</b>			
Share capital	1	1,285,200	1,285,200
Statutory reserve	13	-	273,382
Revaluation surplus		85,769	76,217
Foreign currency translation adjustments		(461)	(478)
Accumulated losses		(1,999)	(252,136)
<b>Total stockholders' equity</b>		<b>1,368,509</b>	<b>1,382,185</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,559,192</b>	<b>2,392,486</b>

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2012**

	Note	2012 SR 000	2011 SR 000
Sales	19	717,394	727,534
Cost of sales		(631,687)	(699,987)
<b>Gross profit</b>		<b>85,707</b>	<b>27,547</b>
Selling and marketing expenses	15	(57,586)	(54,830)
General and administrative expenses	16	(23,167)	(35,244)
<b>Profit (loss) from operations</b>		<b>4,954</b>	<b>(62,527)</b>
Financial expenses	10,11	(26,771)	(19,008)
Investment income, net		507	11,369
Write-off of cost of projects under development		-	(6,016)
Write-off of property, plant and equipment		-	(2,060)
Impairment on projects under development and intangible assets	8(iii),9	-	(144,862)
Change in interest rate swap position	17	3,593	(14,882)
Other income, net		6,521	405
<b>Net loss before zakat</b>		<b>(11,196)</b>	<b>(237,581)</b>
Zakat	14	(12,049)	(8,949)
<b>NET LOSS</b>		<b>(23,245)</b>	<b>(246,530)</b>
<b>(LOSS) earnings per share</b>	21		
Loss per share from net loss (in SR)		(0.18)	(1.92)
Loss per share from continuing main operations (in SR)		(0.26)	(1.83)
Earnings (loss) per share from other operations (in SR)		0.08	(0.09)
Weighted average number of shares		128,520,000	128,520,000

The accompanying notes form an integral part of these consolidated financial statements



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2012**

	Share capital SR 000	Statutory reserve SR 000	Revaluation surplus SR 000	Foreign currency translation adjustments SR 000	Changes in cash flow hedge position SR 000	Accumulated losses SR 000	Total SR 000
January 1, 2011	1,285,200	273,382	94,773	(3,498)	(14,313)	(5,606)	1,629,938
Net loss for 2011	-	-	-	-	-	(246,530)	(246,530)
Net changes in cash flow hedge position	-	-	-	-	14,313	-	14,313
Unrealized loss on investments	-	-	(18,556)	-	-	-	(18,556)
Foreign currency translation adjustments	-	-	-	3,020	-	-	3,020
December 31, 2011	1,285,200	273,382	76,217	(478)	-	(252,136)	1,382,185
Net loss for 2012	-	-	-	-	-	(23,245)	(23,245)
Absorption of accumulated loss from statutory reserve	-	(273,382)	-	-	-	273,382	-
Unrealized gain on investments	-	-	9,552	-	-	-	9,552
Foreign currency translation adjustments	-	-	-	17	-	-	17
December 31, 2012	1,285,200	-	85,769	(461)	-	(1,999)	1,368,509

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

	2012 SR 000	2011 SR 000
<b>OPERATING ACTIVITIES</b>		
Net loss before zakat	(11,196)	(237,581)
Adjustments for:		
Depreciation	75,140	64,432
Amortization	1,454	11,043
(Gain) loss on disposal of property, plant and equipment	(72)	980
End-of-service indemnities	5,133	6,162
Impairment on projects under development and intangible assets	-	144,862
Write-off of cost of projects under development	-	6,016
Write-off of property, plant and equipment	-	2,060
Change in interest rate swap position	(3,593)	14,882
Surplus realized on available for sale investments	-	(10,276)
Changes in operating assets and liabilities:		
Trade receivables	(7,299)	21,002
Inventories	(5,912)	(28,280)
Advances, prepayments and other receivables	11,773	(3,952)
Accounts payable, accrued expenses and other payables	48,229	24,765
Cash from operations	113,657	16,115
End-of-service indemnities paid	(2,341)	(2,699)
Zakat paid	(5,505)	(11,456)
<b>Net cash from operating activities</b>	<b>105,811</b>	<b>1,960</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(156,909)	(187,302)
Proceeds from disposal of property, plant and equipment	74	1,793
Additions to cost of projects under development	(66,615)	(81,443)
Proceeds from sale of investment	-	35,343
Change in time deposits	50	(26,737)
Additions to intangible assets	(26,568)	(5,477)
<b>Net cash used in investing activities</b>	<b>(249,968)</b>	<b>(263,823)</b>
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	(16,942)	(4,782)
Drawdown of long term debts	283,491	451,675
Repayment of long term debts	(140,139)	(281,175)
<b>Net cash from financing activities</b>	<b>126,410</b>	<b>165,718</b>
<b>Net change in cash and cash equivalents</b>	<b>(17,747)</b>	<b>(96,145)</b>
Foreign currency exchange differences on foreign operations	17	3,020
Cash and cash equivalents, January 1	122,549	215,674
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>104,819</b>	<b>122,549</b>
<b>Non-cash transactions:</b>		
Project under construction transferred to property, plant and equipment	295,379	-

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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**1. ORGANIZATION AND ACTIVITIES**

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration number 2055007420. The share capital of the Company amounts to SR 1,285.2 million divided into 128.52 million shares of SR 10 each.

The subsidiaries of NAMA are as follows:

Al-Jubail Chemical Industries Co. ("JANA"), a limited liability company, is owned 95% by NAMA and 5% by NAMA Industrial Investment Company, a subsidiary of NAMA. On February 25, 2012 the Board of Directors of NAMA resolved to increase the share capital of JANA by SR 109 million from SR 666 million to SR 775 million by way of transfer of loans payable to NAMA to share capital. The legal formalities associated with the increase in the share capital were completed during year.

Arabian Alkali Company ("SODA"), a limited liability company, is owned 90% by NAMA and remaining 10% by JANA.

NAMA Industrial Investment Company, a limited liability company, is owned 95% by NAMA and 5% by SODA.

NAMA Europa GMBH, a limited liability company incorporated in Switzerland, is owned 99% by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide - CH-036.4.041.685-8.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields.

The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group are transferred to the separate company when it is established.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

**Accounting convention**

The consolidated financial statements are prepared under the historical cost convention, except for derivatives and investments in securities which are stated at fair value.

**Principle of consolidation**

The consolidated financial statements include the accounts of NAMA and its subsidiaries which are owned above 50% after eliminating significant inter-company balances and transactions between the Company and its subsidiaries.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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**Investments**

Investments in financial instruments are classified according to Group's intent with respect to these securities.

Investments in companies whose shares are not readily marketable and in which NAMA owns less than 20% of the share capital are accounted for at cost. Impairment in value is recorded in the period in which the impairment is determined and charged to the consolidated statement of operations. Dividends are recorded when received.

Investments in investment funds and marketable securities classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus included in consolidated stockholders' equity. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investment.

**Revenue recognition**

Sales are recognized upon delivery of goods to customers. Investment income, principally commissions on time deposits, is recognized on an accruals basis.

**Expenses**

Selling and marketing expenses principally comprise of costs incurred in the sale and marketing of the Group's products and services. All other expenses are classified as general and administrative expenses.

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

**Accounts receivable**

Accounts receivable are carried at their original amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Group will be able to collect all amounts due according to the original terms of accounts receivable.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

**Derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of operations as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated statement of operations. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated statement of operations.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated statement of operations in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will be recognized as an adjustment to recorded carrying amount of the acquired asset or liability.

**Intangible assets**

Intangible assets principally represent pre-operating costs, deferred charges, front-end fee and enterprise resource planning (ERP) solution program implementation costs. The pre-operating costs and ERP solution program implementation costs are amortized on the straight-line method over 5 to 7 years from date of commencement of commercial operations of the consolidated subsidiary. The front-end fee charged by lenders of loans is amortized over the term of the loans.

Deferred charges principally represent pre-operating costs incurred, prior to commencement of commercial operations of the projects. These charges are reduced by the revenue generated by the sale of products manufactured during the commissioning stage. Deferred charges are amortized on the straight-line method over seven years from the dates of commencement of commercial operations of the projects.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings and leasehold improvements	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

**Borrowing costs**

Borrowing costs directly attributable to cost of projects under development are added to the cost of the project until such time as the project is ready for its intended use. Investment income earned on temporary investments of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization.

**Impairment**

As of each balance sheet date, the Group reviews the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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

**Foreign currency translation**

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the consolidated statement of operations.

The Company's books of accounts are maintained in Saudi Riyals. Assets and liabilities of foreign subsidiary are translated in Saudi Riyals at the exchange rate in effect at the date of consolidated balance sheet. The components of foreign subsidiary's equity accounts, except retained earnings are translated at the exchange rates in effect at the dates of the related items originated. The elements of foreign subsidiary's statement of operations are translated using the weighted average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiary's financial statements into Saudi Riyals are reported as a separate component of equity attributable to the stockholders of the Company in the consolidated financial statements.

**Provision for obligation**

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the consolidated financial statements based on the employees' length of service.

**Zakat and income tax**

NAMA and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is calculated and accrued for the year based on estimation. Any difference between the estimate and final assessment is recorded when settled. The foreign subsidiary is subject to tax regulations in the country of incorporation.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease.

**Segmental 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. Because the Group carries out its activities in the Kingdom of Saudi Arabia and abroad reporting is provided by products and geographical segment.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less. As of December 31, 2012 and 2011, cash and cash equivalents consists of the followings:

	2012 SR 000	2011 SR 000
Cash and bank balances	59,727	108,035
Time deposits	45,092	14,514
	<b>104,819</b>	<b>122,549</b>

**4. INVENTORIES**

	2012 SR 000	2011 SR 000
Raw materials	37,691	36,678
Finished products and work-in-process	38,993	62,584
Goods-in-transit	27,128	-
Spare parts	15,636	14,274
	<b>119,448</b>	<b>113,536</b>

The spare parts inventory primarily relates to plant and machinery and accordingly, this inventory is expected to be utilized over a period exceeding one year.

**5. AVAILABLE FOR SALE INVESTMENTS**

	2012 SR 000	2011 SR 000
Investment in funds	35,296	32,360
Investment in companies	112,973	106,357
	<b>148,269</b>	<b>138,717</b>

The investment in marketable securities and investment funds are accounted for at fair value and changes in market value are credited or debited to the revaluation surplus included in consolidated stockholders' equity.

The investment in companies represents investments in Yansab and Ibn Rushd.



**6. OTHER NON-CURRENT ASSETS**

Other non-current assets primarily represent balances related to Employee Share Program ("ESP"). During 2010, the Board of Directors approved an ESP which provides a 5 year service awards to eligible employees. These employees, subject to their subscription to ESP and meeting the underlying conditions, are given an option to buy the Company's shares, at an agreed exercise price, at a future date (the "vesting date") once they become fully entitled to the shares. The entitlement to the shares will be in different stages ranging from 10% to 40% based on the vesting period.

In relation to ESP, the Company purchased its shares at Saudi Riyals 10 million (2011: Saudi Riyals 10 million) through a local financial institution under a custody arrangement and these shares are held by the local financial institution as the Company at no point will become legal owner. The value of such shares has been recorded under other non-current assets and will be repaid to the Company at the vesting date of ESP by the eligible employees. Till date, only partial shares (approximately 35% of the total shares) have been subscribed for by the employees.

**7. COST OF PROJECTS UNDER DEVELOPMENT**

The balance of cost of projects under development as of December 31, 2012 mainly comprised the head office building and employee housing project.

Construction related costs as of December 31, 2012 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, construction costs and borrowing costs. Borrowing cost capitalized during the period amounted to SR 2.78 million (2011: SR 1.49 million).

During the last quarter of 2012, the calcium Chloride plant was ready for its intended use and the total cost of the plant was capitalized as part of plant and machinery.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**8. PROPERTY, PLANT AND EQUIPMENT**

	Buildings and leasehold improvements SR 000	Plant and machinery SR 000	Vehicles SR 000	Furniture, fixtures and office equipment SR 000	Capital work- in- progress SR 000	Total SR 000
<b>Cost</b>						
January 1, 2012	58,854	1,292,858	3,914	14,797	268,834	1,639,257
Additions	5	26,372	444	437	129,651	156,909
Transfers	-	279,096	-	74	16,209	295,379
Disposals	-	-	(278)	(1,246)	-	(1,524)
December 31, 2012	58,859	1,598,326	4,080	14,062	414,694	2,090,021
<b>Depreciation</b>						
January 1, 2012	9,674	198,705	2,247	10,360	-	220,986
Charge for year	2,258	70,742	651	1,489	-	75,140
Disposals	-	-	(278)	(1,244)	-	(1,522)
December 31, 2012	11,932	269,447	2,620	10,605	-	294,604
<b>Net book value</b>						
December 31, 2012	46,927	1,328,879	1,460	3,457	414,694	1,795,417
December 31, 2011	49,180	1,094,153	1,667	4,437	268,834	1,418,271

- (i) The production facilities of SODA and JANA are located in Al Jubail Industrial City and are constructed on land leased from the Royal Commission for Jubail and Yanbu for a period of 25 Hijra years commencing in October 1995 and August 1997, respectively.

- (ii) Capital work in progress

Capital work-in-progress as of December 31, 2012 include costs of SR 384.3 million (2011: SR 258.3 million) incurred by JANA on the expansion of Epoxy plant capacity from 60,000 metric tons to 120,000 metric tons. Borrowing cost capitalized during the period amounted to SR 6.0 million (2011: SR 2.3 million). Management of the Group believes that this capacity expansion has the ability to provide the entity with future economic benefits.

Capital work-in-progress as of December 31, 2012 also includes SR 9.3 million (2011: SR 10.6 million) representing costs incurred and advance paid in respect of Caustic Soda expansion project of SODA. The Board of Directors has decided to freeze the capacity enhancement project due to non-availability of additional raw materials for the production of Caustic Soda. Management of the subsidiary believes that these costs incurred and advances paid has the ability to provide the entity with economic benefits in future as some of the equipment purchased for this project will be utilized for the replacement of existing equipment and the remaining will be capitalized as capital spare parts for future replacement or expansion project.

- (iii) Hassad plant

As of December 31, 2012, property, plant and equipment include costs of SR 1,133.7 million (2011: SR 935.5 million) incurred by the Group on the development and construction of Hassad Plant. Hassad Plant cost includes SR 174.3 million relating to the Calcium chloride plant and SR 75 million relating to infrastructure development costs incurred for the future expansion, which were mainly capitalized in the last quarter of 2012.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

In last quarter of 2011, management hired a third party to undertake an impairment review of Hassad project. This impairment report was based on certain assumptions and outcome of future events. Based on the results of report, management recognized an impairment loss of SR 144.8 million. Updated impairment review was carried out by a third party in last quarter of 2012, based on the results of the report, management has determined that no further impairment loss is required. It would be difficult at this stage to foresee under the existing circumstances whether or not the assumptions used in the impairment review will crystallize in the future.

Management is confident of the viability of the Hassad project and believes that its assets have the ability to provide the Company with future economic benefits and the carrying value of these assets will accordingly be recovered through future cash flows and hence no further impairment is required.

**9. INTANGIBLE ASSETS**

	2012 SR 000	2011 SR 000
January 1	6,359	69,626
Additions	26,568	5,477
	32,927	75,103
Less: amortization	(1,454)	(11,043)
Less: impairment (note 8(iii))	-	(57,701)
December 31	31,473	6,359

**10. SHORT TERM BORROWINGS**

JANA obtained bank facilities from local banks for overdrafts, short-term loans, letters of guarantee and letters of credit etc. These facilities bear interest at rate based on SIBOR plus a margin. These facilities are secured by a corporate guarantee from NAMA.

**11. LONG TERM DEBTS**

	2012 SR 000	2011 SR 000
SIDF	422,491	333,350
Murabaha loans	117,000	-
Tawarruq financing	333,000	333,000
Commercial loans	37,211	100,000
	909,702	766,350
Less: current portion	(55,000)	(23,350)
Long term loans	854,702	743,000



### **SIDF loans**

In 2007, SIDF approved an additional term loan of SR 37.4 million to finance the expansion project of the Company, which was fully withdrawn by the Company as of December 31, 2011. During the year, the Company has repaid SR 8.4 million (2011: SR 18.7 million). As of December 31, 2012, the outstanding balance was SR 25 million including a current portion of SR 10 million.

In 2006, SIDF approved an additional term loan facility of SR 315 million to finance the Hassad project, which was fully utilized by the Company as of December 31, 2010. Repayment of the loan was in 15 unequal semi-annual installments commencing from 15 Shawwal 1430H (corresponding to October 4, 2009). Up to December 31, 2010, the Company repaid SR 15 million. During 2011, the loan from SIDF was rescheduled and outstanding balance of SR 300 million is payable in thirteen unequal semi-annual installments commencing from 15 Shawwal 1433H (corresponding to September 2, 2012). As of December 31, 2012, the outstanding balance was SR 285 million (2011: SR 300 million) including a current portion of SR 35 million (2011: SR 15 million).

In 2008, the SIDF approved additional term loan of SR 210 million to finance the expansion project, during the year, the Company utilized SR 112.49 million. Repayment of the loan is in 12 unequal semi-annual installments commencing from 15 Rabi'II 1434H (corresponding to February 25, 2013). As of December 31, 2012, the outstanding balance was SR 112.49 million including a current portion of SR 10 million.

During the year, the SIDF approved additional term loan of SR 208.7 million to finance the cost overrun of Hassad plant, which has not been utilized as of December 31, 2012.

SIDF loan covenants include maximum limits for capital expenditure and maintenance of certain financial ratios during the period of the loan. The loan is secured against the mortgage of the property, plant and equipment of the Group and corporate guarantees of the shareholders. The SIDF loan fees were prepaid and are being amortized as part of intangible assets over the term of respective loans.

### **Murabaha loans**

During the year, JANA entered into a Master Murabaha Agreement ("the Agreement") with local bank to finance the capacity expansion projects. The total facility amounted to SR 117 million is in the form of Islamic Murabaha to sell and repurchase certain commodities from the Agent in accordance with Shariah principles. The Company has fully drawn down the Murabaha facility during the year. Repayment is in 20 equal quarterly installments of SR 5.85 million commencing from April 9, 2014. The margin is 2.75% per annum.

### **Tawarruq financing**

In 2011, NAMA obtained Tawarruq financing facility of SR 70 million from a local bank. The amount was fully withdrawn during 2011. The loan is repayable in three equal annual installments of SR 23.3 million commencing from June 13, 2014, with a grace period of two years. The loan is secured against promissory note, corporate guarantee and cash deposit guarantee of 20% of the loan amount, which will be encashed in June 2014.

In 2011, NAMA obtained another Tawarruq financing facility of SR 263 million from a local bank. The loan was fully withdrawn during 2011. The loan is repayable in five equal annual installments of SR 52.6 million commencing from June 13, 2014, with a grace period of two years. The interest rate is based on 6 months SIBOR plus a margin. The loan is secured against promissory note, corporate guarantee and cash deposit guarantee of 30% of the loan amount, which will be encashed in June 2014.



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**Commercial loans**

JANA obtained bridge loan facilities from a local bank amounting to SR 37.21 million (2011 - SR 100 million) as bridge financing for the development of expansion of Epoxy plant. The outstanding balance as of December 31, 2012 was SR 37.21 million (2011 - SR 100 million).

NAMA entered into an interest rate swap contract with a local bank to manage the exposure to volatility in interest rates for a notional amount of SR 300 million (US\$ 80 million) with no upfront premium against the murabaha loan of JANA. The option fixed rate is 3.85% per annum and is exercisable effective from December 17, 2008 on a bi-annually basis, up to December 15, 2016.

**12. END-OF-SERVICE INDEMNITIES**

	2012 SR 000	2011 SR 000
January 1	20,121	16,658
Provision for the year	5,133	6,162
Utilization of provision	(2,341)	(2,699)
December 31	22,913	20,121

**13. STATUTORY RESERVE**

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, NAMA allocates 10% of its net income each year to form a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

The stockholders in their general assembly meeting dated April 9, 2012 resolved to use the statutory reserve to absorb the accumulated losses. Accordingly, Board of Directors in their meeting dated December 5, 2012 resolved to offset the accumulated losses of SR 273.38 million against statutory reserves.

**14. ZAKAT**

The principal elements of the zakat are based on NAMA standalone financials and are as follows:

	2012 SR 000	2011 SR 000
Non-current assets	985,196	920,254
Non-current liabilities	346,152	349,203
Opening shareholders' equity	1,382,185	1,629,938
Net loss before zakat	(11,196)	(237,581)

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

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

The movement in zakat provision is as follows:

	2012 SR 000	2011 SR 000
January 1	15,037	17,544
Provision for the year	9,707	9,768
Additional provision for prior years	2,342	-
Payment during the year	(5,505)	(11,456)
Over provision in previous year	-	(819)
December 31	21,581	15,037

The above provision is included within accrued expenses and other payables.

The charge for the year for zakat is as follows:

	2012 SR 000	2011 SR 000
Zakat charge based on NAMA standalone financial statements	7,882	7,882
NAMA's share of subsidiaries' zakat	4,167	1,067
Charged to statement of operations	12,049	8,949

**Outstanding assessments**

The Group has yet to receive the final zakat assessments for the years from 2000 through 2011 as these are still under study by the DZIT, except for subsidiaries (JANA) and (SODA) for which the final zakat assessments for the years from 2003 through 2011 and from 2008 through 2011 respectively are under study by the DZIT.

Assessment for the years 2000 to 2002 of JANA were finalized during the year after settling the additional assessed amount of SR 2.34 million and for SODA assessments for the years 2006 and 2007 were finalized during the year without any additional liability.

Management of the Group is confident that final assessments of the Company and subsidiaries for the above outstanding years will be favorable and will not result in significant additional liabilities to the Group.

**15. SELLING AND MARKETING EXPENSES**

	2012 SR 000	2011 SR 000
Freight and delivery expenses	45,747	39,131
Salaries, wages and benefits	5,135	5,614
Sales commissions	2,594	3,271
Others	4,110	6,814
	57,586	54,830

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

	2012 SR 000	2011 SR 000
Salaries, wages and benefits	14,305	16,544
Amortization of intangible assets	1,224	10,558
Consultancy fees	1,643	1,024
Depreciation	1,227	881
Other expenses	4,768	6,237
	<u>23,167</u>	<u>35,244</u>

**17. CHANGES IN CASH FLOW HEDGE POSITION**

This represents the difference arising from fair value measurements of the effective portion of derivative financial instruments (interest rate swap contracts) as of balance sheet date, which is a hedging instrument against the designated hedged item, being foreign currency loans based on LIBOR rates. The hedge became ineffective starting from 2011, accordingly all fair value changes are charged to the consolidated statement of operations.

**18. OPERATING LEASE ARRANGEMENTS**

	2012 SR 000	2011 SR 000
Payments under operating leases recognized as an expense during the year	<u>1,584</u>	<u>1,547</u>

Operating lease payments represent rentals payable by the Group for leased land for certain factory buildings and other premises for a period of 25 years and also for leased port facilities for a period of 20 years. Rentals are fixed for the terms of the lease.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2012 SR 000	2011 SR 000
Year 1	910	610
Year 2	561	610
Year 3	391	457
Year 4	389	389
Year 5	353	389
After five years	<u>2,421</u>	<u>2,774</u>
Net minimum lease payments	<u>5,025</u>	<u>5,229</u>



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**19. SEGMENTAL ANALYSIS**

(a) As of December 31, analysis of sales, operating income (loss) and net assets by activities:

	Sales		Operating income (loss)		Net assets	
	2012	2011	2012	2011	2012	2011
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Epoxi resin products	642,130	700,983	13,431	(30,977)	442,691	328,566
Chlor Alkali products	202,240	173,244	(2,634)	(24,605)	187,613	203,273
Others	-	-	(5,843)	(6,945)	1,371,177	1,385,033
	844,370	874,227	4,954	(62,527)	2,001,481	1,916,872
Inter-company eliminations	(126,976)	(146,693)	-	-	(632,972)	(534,687)
Total	717,394	727,534	4,954	(62,527)	1,368,509	1,382,185

Nama Chemicals Company and NAMA Industrial Investment Company have been grouped as part of "Others" as these are mainly holding companies.

(b) As of December 31, analysis of sales and operating income (loss) by geographical location:

	Sales		Operating income (loss)	
	2012	2011	2012	2011
	SR 000	SR 000	SR 000	SR 000
Local sales	238,106	219,990	6,794	(14,587)
Export sales	606,264	654,237	4,003	(40,995)
Others	-	-	(5,843)	(6,945)
	844,370	874,227	4,954	(62,527)
Inter-company eliminations	(126,976)	(146,693)	-	-
Total	717,394	727,534	4,954	(62,527)

**20. COMMITMENTS AND CONTINGENCIES**

As of December 31, 2012, the Group has outstanding letters of credit and letters of guarantee of SR 23.78 million (2011: SR 35.86 million) issued in the normal course of the business.

As of December 31, the Group had the following capital commitments:

	2012	2011
	SR 000	SR 000
Commitments for the acquisition of property, plant and equipment	41,400	211,580



## 21. (LOSS) EARNINGS PER SHARE

Loss per share from net loss is computed by dividing net loss for the year by the weighted average number of shares outstanding during the year.

Loss per share from continuing main operations is computed by dividing loss from operations after deducting finance charges and zakat for the year by the weighted average number of shares outstanding during the year.

Earnings (loss) per share from other operations are computed by dividing the total investment income, change in interest rate swap provision, write-off of property, plant and equipment, write-off of cost of project under development and other income, net over the weighted average number of shares outstanding during the year.

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet principally include trade receivables, investments and other assets, accounts payable, borrowings and accrued and other liabilities.

**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 has no significant concentration of credit risk. Cash is substantially placed with banks with sound credit ratings. Trade receivable are carried net of provision for doubtful debts and are stated at their estimated realizable values.

**Fair value and cash flow interest rate risks** are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arises mainly from those short-term bank deposits, short term borrowings and long-term debts, which are at floating rates of interest. All deposits and debts with floating rates of interest are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

**Liquidity risk** is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to their fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

**Currency risk** is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States Dollars and Euro. Management monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

**Fair Value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments except for, available for sale investments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

## 23. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.