ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

BOARD OF DIRECTORS' REPORT FOR THE YEAR 2013

The Board of Directors of Alujain Corporation (Alujain) is pleased to present the Company's annual report and audited financial statements for the year ended December 31, 2013, along with a briefing on the major developments and achievements with the efforts of its employees under the guidance of the Board of Directors and with the grace of God.

Alujain's main objective is to identify, evaluate, promote, develop and invest in major industrial projects in the petrochemicals, mining, metals and energy sectors in the Kingdom of Saudi Arabia. Pursuant to these objectives the Company acquired majority (57.4%) equity ownership in National Petrochemical Industrial Company (Natpet) which operates a 400,000 tons per year Propylene & Polypropylene Complex (PP Complex) in Yanbu Industrial City, using Oleflex and Spheripol technologies. Alujain, Xenel and GOSI are the major shareholders in Natpet.

During 2013 Alujain reported a net profit of SR109.82 million, as compared to a net profit of SR51.68 million during 2012. This increase in profit is attributed mainly to (1) better margins, although sales quantites were lower during 2013 and (2) the insurance compensation of SR75 million received by Natpet against its claim for PDH plant crash shutdown in the third quarter of 2011. The settlement comprises of SR24.78 million pertaining to capital repairs and the balance SR50.22 million to compensate for the loss of profit arising from lower production until final repairs were carried out. The sales quantities during 2013 were low due to the scheduled turnaround and crash shutdowns of the subsidiary's plant.

The Net Profit of Natpet for the fiscal year 2013 was SR208.29 million, as compared to Net Profit of SR108.94 million during 2012. This increase in profit is mainly due to the explanation provided in above paragraph. The production during 2013 was 342K metric tons which is 85.5% of design capacity, as compared to 397K metric tons duirng 2012 which was 99% of the design capacity. In compliance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA), the financial statements of Alujain are consolidated to include Natpet as a subsidiary.

Alujain owns majority shareholding in Zain Industries Company Ltd. (Zain). Zain owns and operates its plant in Jubail Industrial City. The sales for 2013 is SR21.48 million as compared to SR15.99 during 2012, with a net loss of SR1.31 million (2012 loss was SR3.09 million). Alujain's investment in Zain is not consolidated in the accompanying consolidated financial statements because Alujain's control is temporary.

I. FINANCIAL HIGHLIGHTS

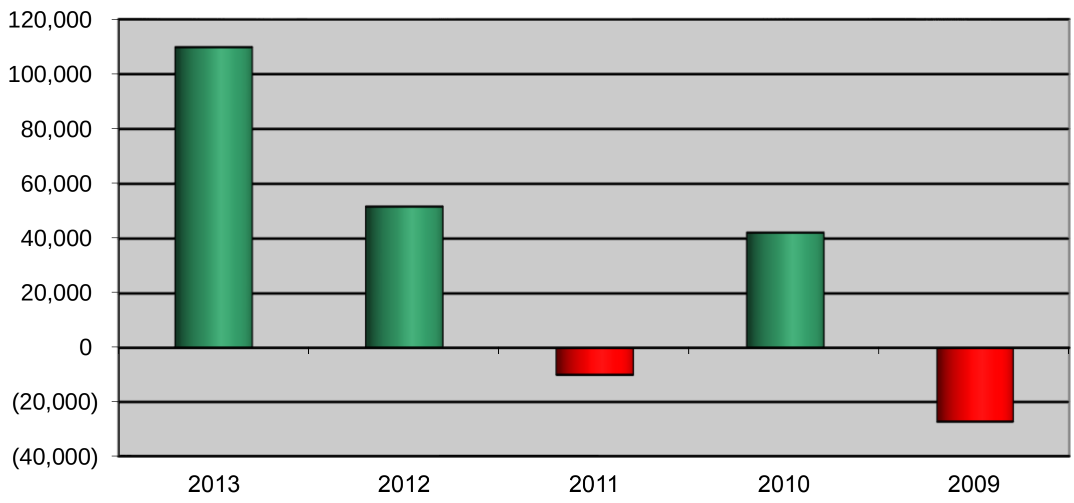
The year's Profit and Loss (P&L) Summary reflects consolidated results with sales of SR1,876.20 million (335K metric tons of polypropylene products) and a gross profit of SR343.85 million with a net profit of SR109.82 million, as compared to sales of SR2,111.94 million (404K metric tons) and gross profit of SR292.42 million in 2012.

A. Five-Years Profit or (Loss) Summary

	Year ended December 31				
	2013 (SR '000)	**2012 (SR '000)**	**2011 (SR '000)**	**2010 (SR '000)**	**2009 (SR '000)**
Sales	1,876,203	2,111,941	1,471,866	852,133	0
Cost of sales	(1,532,349)	(1,819,521)	(1,313,054)	(673,116)	0
Gross profit	343,854	292,420	158,812	179,017	0
Operating expenses	(84,166)	(77,406)	(64,293)	(73,569)	(67,779)
Net operating income (loss)	259,688	215,014	94,519	105,448	(67,779)
Impairment loss on delay of plant start-up	0	0	0	(177,750)	0
Insurance & contractor's compensations	50,229	0	0	177,750	0
Financial charges	(79,977)	(100,163)	(95,094)	(36,900)	0
Net other income (expenses)	(22,684)	(15,200)	(7,091)	12,784	21,027
Profit (Loss) before Zakat	207,256	99,651	(7,666)	81,332	(46,752)
Zakat	(8,703)	(1,564)	(1,557)	(7,532)	(810)
Profit (Loss) Before Minority Interest	198,553	98,087	(9,223)	73,800	(47,562)
Minority Interest*	(88,734)	(46,409)	(729)	(31,618)	20,284
Net Profit (Loss)	109,819	51,678	(9,952)	42,182	(27,278)

** Minority interest represents 42.6% share of other shareholders in NATPET.*

Five-Year Net Profit / (Loss) Chart
(Amounts in SR '000)



B. Comparative Operating Results (2 years):

The 2013 net income before Zakat and minority interest is SR207.23 million as compared to SR99.65 million during 2012. The major reasons for increase in profit is better margins and insurance compensation as explained in first page of this report. The general & administrative expenses increased by SR4.38 million mainly due to legal and other consultancies availed for re-financing activities, as well as for corporate and travelling expenses. Sales & marketing expenses also increased by SR2.38 million due to advertising expenses incurred during 4th quarter 2013.

Two years comparative consolidated operating results

	Year ended on December 31		
	2013 (SR '000)	**2012 (SR '000)**	**Net Changes (SR '000)**
Sales	1,876,203	2,111,941	(235,738)
Cost of sales	(1,532,349)	(1,819,521)	287,172
Gross profit	343, 854	292,420	51,434
Operating expenses	(84,166)	(77,406)	(6,760)
Net operating income (loss)	259,688	215,014	44,674
Financial charges	(79,977)	(100,163)	20,186
Net other income	27,545	(15,200)	42,745
Profit (Loss) before Zakat	207,256	99,651	107,605
Zakat	(8,703)	(1,564)	(7,139)
Profit (Loss) Before Minority	198,553	98,087	100,466
Minority Interest*	(88,734)	(46,409)	(42,325)
Net Profit (Loss)	109,819	51,678	58,141

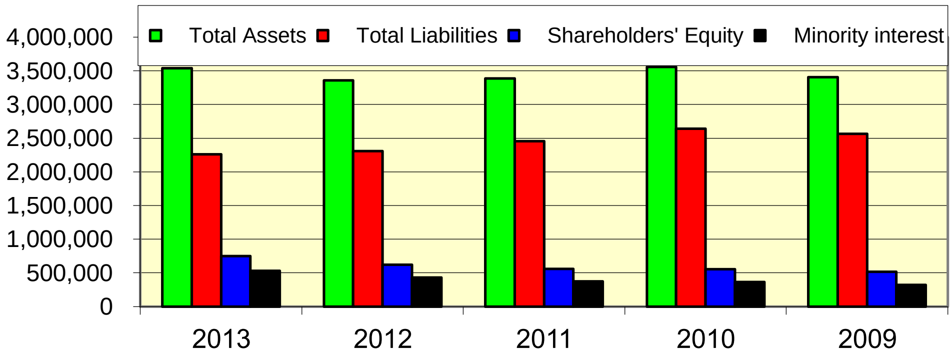
** Minority interest represents 42.6% share of other shareholders in NATPET.*

C. Summary of Financial Position

	As at December 31				
	2013 (SR '000)	**2012 (SR '000)**	**2011 (SR '000)**	**2010 (SR '000)**	**2009 (SR '000)**
ASSETS					
Current assets	963,018	678,542	522,836	733,980	340,328
Non-current assets	2,575,355	2,681,252	2,832,468	2,825,451	3,065,344
Total Assets	3,538,373	3,359,794	3,355,304	3,559,431	3,405,672
Current liabilities	747,157	611,030	648,333	516,941	545,109
Non-current liabilities	1,510,726	1,696,095	1,773,704	2,122,641	2,020,007
Total Liabilities	2,257,883	2,307,125	2,422,037	2,639,582	2,565,116
Shareholders' Equity	747,739	621,120	557,208	554,164	518,551
Minority interest *	532,751	431,549	376,059	365,685	322,005
Total Liabilities & Shareholders' Equity	3,538,373	3,359,794	3,355,304	3,559,431	3,405,672

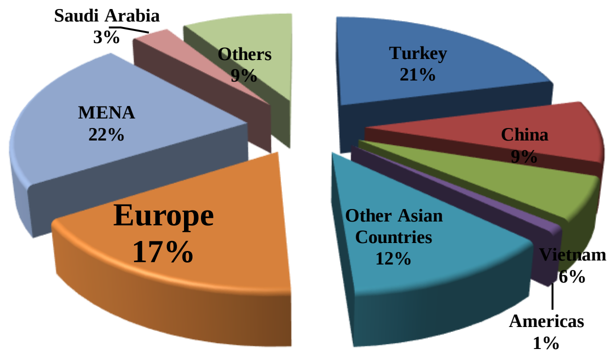
**Minority interest represents 42.6% share of other shareholders in NATPET.*

Five-Year Balance Sheet Chart
(Amounts in SR '000)



D. Geographical Analysis of Consolidated Sales:

Essentially, the company's revenue comes from its subsidiary selling its products in and out of Saudi Arabia, as presented in the following chart:



II. MAJOR EVENTS IN 2013

1. Natpet signed an Islamic bridge loan facility in 2012 for SR974 million and used the proceeds to repay old commercial banks' loans.

   Natpet signed an Islamic finance agreement with local commercial banks for an amount of SR1 billion for a period of 8 years, to repay SR974 million bridge finance facility and to use the remaining SR26 million for working capital requirements. The loans are secured against pledge of Natpet shares owned by Alujain and Xenel Group, as detailed below:

   A. Facility "A" SR854 million for period starting from September 5, 2013 until December 31, 2019.

   B. Facility "B" SR146 million for duration from starting from September 5, 2013 until December 31, 2021.

2. Natpet received SR75 million in settlement of its claim with its insurers pertaining to a breakdown occurred at its PP Complex in Yanbu Industrial City in September 2011. The breakdown was announced on 26 September 2011 on Tadawul. This settlement comprises of SR24.78 million pertaining to capital repairs and the rest to compensate for the loss of production.

III. FUTURE DOWNSTREAM PROJECTS

1. Bonar-Natpet, Natpet's joint venture (JV) completed the trial production during 2013 and is expected to start commercial production during 1st quarter 2014. Bonar-Natpet is a JV between Natpet and Low & Bonar PLC (a listed company on the London Stock Exchange) of the United Kingdom to produce geotextile products for the fast growing civil engineering infrastructure markets in the Middle East and the Indian subcontinent. The plant has a capacity of 17,300 tons/year of staple fiber and 9,600 tons/year for Phase I of nonwoven geotextiles. Natpet owns 50% stake in the joint venture while the remaining is held by the other partner. The JV is a Limited Liability Company, having its registered office and plant in Yanbu Industrial City adjacent to Natpet Polypropylene Complex, with a paid up capital of SR 64 million, comprised of 6.4 million shares of SR10 per share as at 31 December 2013. The JV signed agreements with SIDF for an amount of SR76.6 million, secured against mortgage of Bonar-Natpet assets and corporate guarantees from both the partners. It also signed a bridge financing agreement with a commercial bank for SR76.6 million and received SR70 million.

2. Natpet entered into a joint venture agreement with A. Schulman Inc. of the U.S.A on 19th Rajab 1433H (corresponding to 9th June 2012) to build about 100,000 MT per annum polypropylene compounding plant in two phases. The plant will be a 50-50 joint venture. The JV is a Limited Liability Company with its registered office and plant adjacent to Natpet's Yanbu facility.

   The first phase of the project will be funded 40% through equity and the remainder through debt and is expected to be on stream in the last quarter of 2015. The estimated cost of the first phase is SR278 million. The joint venture will serve a broad range of customers globally and capitalize on the growing demand for durable goods such as appliances and automotive worldwide.

Currently, Alujain is not actively pursuing any projects other than those mentioned above.

IV. ZAKAT AND OTHER AMOUNTS PAID TO THE GOVERNMENT

ZAKAT STATUS

On a standalone basis, Alujain has made total provision of SR0.75 million during 2013 estimated Zakat expenses. The other issues are summarized below:

- The Company finalized its Zakat status for the year ended December 31, 2002 and obtained the final Zakat certificate. The Zakat returns for 2003 through 2012 have been filed with DZIT and obtained the respective restricted Zakat certificates.

- The DZIT issued preliminary assessment and claimed additional Zakat of SR5.4 million for the years 2003 to 2007. The DZIT also issued its initial assessments for the years 2008 to 2010 requiring Alujain to pay additional Zakat of SR16.9 million. The Company objected these assessments and filed appeals with the DZIT. The appeals are under review with the DZIT till date. The management is of the view that both the appeals are based on sufficient grounds and will be settled in the Company's favor.

- On submitting Zakat returns for the years 2011 and 2012, the DZIT claimed additional Zakat of SR1.3 million for each of the years, which were objected by the Company and the objections are under review by the DZIT till date.

AMOUNTS PAID TO THE GOVERNMENT

Following is a summary of amounts paid by Alujain to the Government:

	2013 (SR '000)	**2012 (SR '000)**
Zakat	753	1,566
General Organization for Social Insurance	265	258
Tadawul	433	447
Registration, visas and other expenses	31	29
Total amounts paid to the Government	1,482	2,300

V. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (Natpet):

Natpet is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and PP Complex in Yanbu Industrial City to produce Polypropylene and its derivatives. The authorized and paid up capital comprised 107 million shares of SR10 per share as at 31 December 2013. Alujain currently holds 57.4% of the total equity of Natpet.

The company had signed an Islamic bridge loan facility in 2012 for SR974 million and with the grace of God it was repaid after the company signed an Islamic finance agreement with local commercial banks for an amount of SR 1 billion for a period of 8 years. The remaining SR26 million has been used to finance working capital. The company has also fulfilled its obligations to the commercial banks and the Saudi Industrial Development Fund and the Public Investment Fund (PIF). Following are the details of its loans:

(all amounts are in thousand Saudi Riyals):

Description of loan	Terms of loans	Original loans	Loan repayments Prior years	Current year	Outstanding balances
Islamic Bridge/ Local Commercial banks	Islamic Bridge loan, 6-9 Months	1,232,841	379,127	853,714	0
Islamic re-financing/ Local Commercial Banks.	Term loan, 8 yrs	1,000,000	0	55,510	944,490
Public Investment Fund loan	Term loan, 10 yrs	750,000	150,000	75,000	525,000
SIDF Loan	Interest free, 7 yrs	400,000	135,000	65,000	200,000
Others	No fixed repayment period	21,645	0	0	21,645
Total			**664,127**	**1,049,224**	**1,691,135**

The SIDF loan is secured by a mortgage over the fixed assets of the PP Complex and corporate guarantees from its shareholders wherein Alujain's guarantee is 57.4%.

Natpet's major achievements

- Natpet secured second place in King Khalid Award for Responsible Competitiveness Index for 2013 for the 4th consecutive year.

- Natpet has been recognized amongst the Top 10 "Best Saudi Company to Work For 2012" of Small and Medium Enterprises Category. Around 100 companies participated in this prestigious award and Natpet ranked 9th out of top 10.
- Natpet received a second "Perfect Record Award" from National Safety Council (NSC) for operating 4,476,861 employee hours without occupational injury or illness involving days away from work, 19 February 2010 – 31 January 2013.
- Natpet was awarded the prestigious Royal Society for the Prevention of Accidents (RoSPA, UK) Occupational Health & Safety 2013 Gold Award. It had received Silver Award for the year 2012.
- No Major Fire incident or explosion.
- Natpet has an excellent record for Health, Safety and the Environment with 1.46 million manhours until December 2013, since last Lost Time Incident (LTI) dated February 04, 2013.
- Natpet successfully completed Annual ISO 9001, ISO 14001, I & OHSAS 18001 Surveillance Audit conducted by SGS Australia without any major Non Conformity (NC). This continued registration demonstrates ongoing commitment to Quality, Environment and Occupational Health and Safety.
- Natpet Technical Laboratory has qualified the surveillance audit of ISO/ IEC17025:2005 successfully. Two days External Audit activity was conducted by Dubai Accreditation Council (DAC) assessor.

VI. ASSOCIATE COMPANY

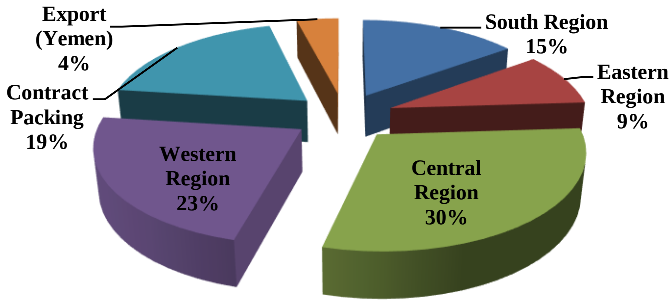
Zain Industries Company Ltd (formerly MOBEED):

Zain Industries (Zain) is a Saudi Limited Liability Company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City, with a paid up capital of SR60 million, comprised of 6,000 shares of SR10,000 per share as at 31 December 2013. Its main objective is to produce homecare products, agricultural pesticides, insecticides and herbicides of all kinds and forms, beside the general health products.

Zain's sales during 2013 is SR21.48 million as compared to SR15.99 million during 2012, with a net loss of SR1.31 million (2012 loss was SR3.09 million). Alujain along with a related party seeks to fully acquire Zain Industries and 98.75% co-ownership of Zain has already been achieved.

Geographical Analysis of Sales:

Zain sold its products in and out of Saudi Arabia, as shown in below chart:



VII. BOARD OF DIRECTORS

A. Constitution of the Board of Directors:

During 2013 the Board of Directors consisted of nine directors as per below table. The table also lists the directorships in other Joint Stock Companies (only listed and traded).

Names	Membership	Directorships in other Joint Stock Companies
Khalid A. Y. Zainal Alireza	**Executive**	Saudi Cable Company
Matouq Hassan Jannah	**Non-executive**	
Khalid Ibrahim Zagzoog	**Executive**	
Abdallah Sadiq Dahlan	**Independent**	
Ali Abdulla Kanoo	**Independent**	
Adnan Kamel Salah	**Independent**	
Omar Hashim Khalifati	**Independent**	
Mohammad Ali Al-Naki	**Independent**	
Abdullah Muhammed N. Rehaimi	**Independent**	The Savola Group & Saudi Cable Company

B. Meetings:

During 2013 the Board of Directors held 4 meetings as follows:

Directors	Mtg# 80 18/2/13		Mtg# 81 16/7/13		Mtg# 82 17/11/13		Mtg# 83 07/12/13		Total Present	Total Proxy	Attendance Percentage
	Present	Proxy	Present	Proxy	Present	Proxy	Present	Proxy			
Khalid A.Y. Zainal Alireza	✓		✓		✓		✓		4		100%
Matouq Hassan Jannah	✓		✓		✓		-	✓	3	1	75%
Khalid Ibrahim Zagzoog	✓		✓		✓		✓		4		100%
Abdallah Sadiq Dahlan	-	✓	-		✓		✓		2	1	50%
Ali Abdulla Kanoo	-	✓	-	✓	✓		-	✓	1	3	25%
Adnan Kamel Salah	✓		✓		✓		✓		4		100%
Omar Hashim Khalifati	✓		✓		✓		✓		4		100%
Mohammad Ali Al-Naki	✓		-	✓	-	✓	✓		2	2	50%
Abdullah M. N. Rehaimi	✓		✓		✓		-		3		75%

C. Board Committees:

Audit Committee:

i) *Mandate:*

The main objectives of the Committee include ensuring the adequacy and soundness of the internal control structure, financial accounting and reporting policies and procedures as well as ensuring effectiveness of the internal and external audit function. It also reviews the Company's financial statements.

During the year Mr. Asad Hameed resigned as member of the Audit Committee without any replacement.

ii) *Audit Committee Members:*

Members	Non-executive	Shareholder	Position
Omar Hashim Khalifati	✓	✓	Chairman
Ali Abdulla Kanoo	✓	✓	Member
Mohammad Uzair Afzal (Finance Specialist)			Member
Adnan Kamel Salah	✓	✓	Member

iii) *Meetings:*

The committee held four meetings during 2013 as follows:

	Mtg # 48	Mtg # 49	Mtg # 50	Mtg # 51	Total Attendance	Attendance Percentage
	18/2/13	16/7/13	27/10/13	22/12/13		
Omar Hashim Khalifati	✓	✓	✓	✓	4	100%
Ali Abdulla Kanoo			✓		1	25%
Mohammad Uzair Afzal	✓	✓	✓	✓	4	100%
Adnan Kamel Salah	✓	✓	✓	✓	4	100%

Nomination and Remuneration Committee:

i) *Summary of functions and responsibilities*:

The main objectives of the Committee include review of the structure of Board of Directors, recommending suitable candidates for appointment to membership of the Board, ensuring their integrity and adequate competency as required by law and drawing clear policies regarding indemnities and remuneration of the Board members and top executives of the company.

ii) *The Nomination and Remuneration Committee Members:*

Members	Position
Khalid Ibrahim Zagzoog	Chairman of the Committee
Ahmed Saad Gabbani (HR Expert)	Member
Matouq Hassan Jannah	Member

iii) Meetings:

The Committee had two meetings during the year 2013 as per the following attendance. There is no remuneration paid to any of the committee members including its Chairman.

Members	Mtg #3 16/02/13	Mtg #4 09/12/13	Total Attendance	Attendance Percentage
Khalid Ibrahim Zagzoog	✓	✓	2	100%
Ahmed Saad Gabbani	✓	✓	2	100%
Matouq Hassan Jannah	✓	✓	2	100%

D. Movement in Shares Owned By Directors and Their Immediate Family Members

The following table includes a description of any interest related to the members of the Board of Directors, including their wives and minor children, in the stocks or credit instruments of the company:

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Khalid A.Y. Zainal Alireza	857,216	1.239%	100,000	0.145%	957,216	1.383%
Matouq Hassan Jannah	1,200	0.002%	-	-	1,200	0.002%
Khalid Ibrahim Zagzoog	2,900	0.004%	-	-	2,900	0.004%
Abdallah Sadiq Dahlan	1,000	0.001%	-	-	1,000	0.001%
Ali Abdulla Kanoo	4520	0.007%	-	-	4520	0.007%
Adnan Kamel Salah	2,000	0.003%	-	-	2,000	0.003%
Omar Hashim Khalifati	22,060	0.032%	-	-	22,060	0.032%
Mohammad Ali Al-Naki	1,000	0.001%	-	-	1,000	0.001%
Abdullah M. N. Rehaimi	3,700	0.005%	-	-	3,700	0.005%

E. Movement in Shares Owned By Senior Executives and Their Immediate Family Members

The following table includes a description of any interest related to the members of the Senior Executives, including their wives and minor children, in the stocks or credit instruments of the Company:

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Marwan N. Nusair President & COO	3,050	0.004%	(650)	(0.001%)	2,400	0.003%
Rajiv Thakur VP – Business Development	Nil	Nil	Nil	Nil	Nil	Nil
Saleem Akhtar VP – Finance	Nil	Nil	Nil	Nil	Nil	Nil

VIII. REMUNERATION OF CHAIRMAN, BOARD OF DIRECTORS, AND TOP EXECUTIVES

	Board Members		Highest paid senior executives including COO & VP-Finance*
	Executive (2 persons)	Non-executive/ Independent (7 persons)	
Salaries and compensation	720,000	-	1,236,000
Allowances	24,000	57,000	417,000
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Other Compensations	-	12,000	472,580
Total	744,000	69,000	2,125,580

* Remuneration for 3 executives including COO, VP – Finance and VP – Business Development. Alujain has less than 5 executives.

REMUNERATION OF AUDIT COMMITTEE

Position	Meeting Fees
Chairman	12,000
Members	18,000
Total	30,000

IX. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's general and administrative expenses and shared services including project-related costs are charged by affiliates by way of sharing the cost of some common services. Prices and terms of payment are approved by management.

(a) Summary and nature of transactions:

Party	Board Member	Contract Period	Nature of dealing	Amount (SR '000)
Board of Directors of the Company			Chairman's compensation and directors' meeting attendance fees	840
Board of Directors of the Subsidiary			Chairman's compensation and directors' meeting attendance fees	4,224
Hidada Company Limited	Khalid A.Y. Zainal Alireza	One year (perpetual)	Joint Expenses charged to the group	11
Saudi Cable Company	Khalid A.Y. Zainal Alireza	One year (perpetual)	Joint expenses charged by the group	379
Saudi Cable Company	Khalid A.Y. Zainal Alireza	One year (perpetual)	Shared services charged to the group	84
Xenel Industries Ltd.	Khalid A.Y. Zainal Alireza	One year (perpetual)	Shared services charged to the group	6,595
Safra Company Limited	Khalid A.Y. Zainal Alireza Khalid Ibrahim Zagzoog Matouq Hassan Jannah	One year (perpetual)	Joint expenses charged to the group	8,080
Xeca International for Information Technology	Yusuf A.Y. Zainal Alireza	Job Specific	IT related services	129
Zain Industries Co.	Marwan Nusair Matouq Hassan Jannah		Advances provided by the group	1,039
Bonar Natpet	Matouq Hassan Jannah	One year (perpetual)	Joint expenses charged by the group	9,219
Bonar Natpet	Matouq Hassan Jannah		Advances provided by the group	14,500

(b) There were no transactions between the Company and its senior executives except as presented in section VIII & IX above during 2013.

X. PROFIT DISTRIBUTION POLICY

The annual net profits achieved – after deducting all general expenses & other costs – shall be distributed as follows:

10% of the net profits shall be set aside to form a statutory reserve, and the ordinary general assembly may stop such a procedure when the said reserve amounts to half of the Company capital.

From the balance, a first payment not less than 5% of the paid capital, shall be distributed as dividends to the shareholders.

A percent of not more than 10% of the net profits shall be allocated, after that, as a remuneration for the members of the board of directors, provided, however, that the member remuneration shall not exceed the amount determined by the instructions issued by the Ministry of Commerce to this effect.

Then, the balance shall be distributed among the shareholders as an additional share of the profits, or it may be carried forward to the following years, in the way agreed upon by the general assembly.

The dividends to be distributed among shareholders shall be paid in the place and at the time determined by the board of directors, taking into consideration the instructions issued by the Ministry of Commerce in this regards.

XI. POTENTIAL BUSINESS RISKS

The Group's activities expose it to a variety of potential business risks including financial risks, (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk, market risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The Risk management is carried out by senior management under policies approved by the board of directors.

- **Currency risk**
  Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group does not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and to a lesser extent Euros. Management monitors such exposures on a regular basis. However, there were no significant foreign exchange contracts outstanding at December 31, 2013.

- **Fair value and cash flows interest rate risk**
  Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities including security deposits, long term loans and derivative financial instrument.

  The management limits the Group's interest rate risk by monitoring the changes in interest rate in the currencies in which its interest bearing assets and liabilities are denominated and through interest rate swaps, in which the Group agrees to exchange, at specified interval, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

- **Price risk**
  The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available for sale investment and investments in Murabaha Funds. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

- **Credit risk**

  Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with banks with sound credit ratings.

  The largest receivable balance (one off-taker) accounts for 35% of outstanding trade accounts receivable at December 31, 2013 (2012: 22%). Credit risk is managed by monitoring the off-taker balance and ensuring timely collection of the due balance.

- **Liquidity risk**

  Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

- **Fair value**

  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 are compiled under the historical cost convention, except for derivative financial instruments, and available for sale investment, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

XII. CORPORATE GOVERNANCE

The Company is committed to apply all rules listed in Corporate Governance Regulations. It is following all the provisions of Corporate Governance regulations except as detailed below:

Corporate Governance Rules	Reasons
Article: 6 Voting Rights	
Article 6 - b1) In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied.	The Company is abiding by its Articles of Association and proposed amendment to its Articles of Association in its Extra-ordinary General Assembly meeting No.5 held on 23rd April 2012 to introduce the accumulative voting method, but the shareholders have rejected the proposal.

XIII. INTERNAL AUDIT/AUDIT COMMITTEE FINDINGS

There are no material findings highlighted by the internal Audit/Audit Committee and it believes that there are no misstatements of accounting information that could have material effect on the judgment of the users of the attached financial statements.

XIV. BOARD DECLARATIONS

1. The Company’s financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on consistent basis.
2. The Company maintains proper books of accounts.
3. The external auditor has given an unqualified opinion on the financial statements.
4. The Company’s Internal Control has been developed on sound basis and is effectively being carried out. The Company has an adequate audit committee and internal audit function which ensure that satisfactory internal controls are in place. There is absolutely no trace of doubt that the Company is a going concern and that Alujain and its subsidiaries are not planning to discontinue any of their operations.
5. The Company has not issued nor redeemed any debt or financial instruments such as stock options or stock rights that may be converted into shares.

6. There was no material contracts awarded to any related parties during the year. Related party transactions are detailed in section IX of this report.
7. There were no outstanding loans during the year, except the loans taken by the subsidiary, as mentioned in section V of this report.
8. There were no loans given to any of its directors.
9. The Company has not made any deals relating to its own stocks.
10. No waiver of compensation has been received from any member of the Board.
11. There were no share dealings entered by the Company with any of its directors or immediate members of their families.
12. No waiver of rights has been received from any shareholder.
13. The Company has not made any investments or created reserves for its employees, except for, as is required by Saudi Labor Law and company policies.

XV. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Board of Directors' Report for 2013.
2. Approval of the 2013 year-end financial statements and external auditors' report.
3. Approval of the appointment of external auditors for the year 2014 from amongst the firms nominated by the Audit Committee.
4. Absolving the Board of Directors of their responsibilities for the financial year ended 31/12/2013.
5. Approval of the businesses and agreements made between the company and related parties contained in Section VIII and in the notes to the accompanying financial statements.

The Board of Directors wishes to express its appreciation and gratitude to the Custodian of the two Holy Mosques, King Abdullah Bin Abdul Aziz Al Saud, HRH Crown Prince, Deputy Prime Minister & Minister of Defense Salman Bin Abdul Aziz Al Saud, and the Government, for their continued support.

The Board would also like to thank the shareholders for their support and the management and staff of Alujain for their efforts which helped to make 2013 a successful year.

BOARD OF DIRECTORS