

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND INDEPENDENT AUDITORS' REPORT

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(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

February 24, 2014

To the Shareholders of Alujain Corporation
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Alujain Corporation (the "Company") and its subsidiary (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (27) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

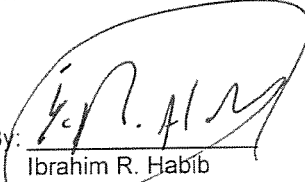
We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

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ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	As at December 31,	
		2013	2012
Assets			
Current assets			
Cash and cash equivalents	4	270,681	59,219
Investments in Murabaha Funds		15,000	8,035
Accounts receivable, net	5	319,410	262,407
Prepayments and other assets	6	29,589	35,489
Due from related parties	7	15,153	30,019
Inventories, net	8	313,185	283,373
		<u>963,018</u>	<u>678,542</u>
Non-current assets			
Investments, net	9	44,038	44,428
Projects under study, net	10	251	11,662
Advance against investment	11	5,000	-
Intangible assets, net	12	44,375	39,346
Property, plant and equipment, net	13	2,481,691	2,585,816
		<u>2,575,355</u>	<u>2,681,252</u>
Total assets		<u><u>3,538,373</u></u>	<u><u>3,359,794</u></u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	14	142,496	120,000
Current portion of long-term loans	15	244,670	140,000
Accounts payable		127,721	136,875
Accrued and other liabilities	16	213,411	200,840
Due to related parties	7	3,271	4,832
Zakat provision	17	15,588	8,483
		<u>747,157</u>	<u>611,030</u>
Non-current liabilities			
Long-term loans	15	1,446,465	1,600,359
Derivative financial instruments	18	45,065	79,944
Employee termination benefits	19	19,196	15,792
		<u>1,510,726</u>	<u>1,696,095</u>
Total liabilities		<u><u>2,257,883</u></u>	<u><u>2,307,125</u></u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital (69,200,000 shares of SAR 10 per share)		692,000	692,000
Statutory reserve	20	23,255	17,316
Cumulative changes in fair values of derivatives		(20,963)	(37,763)
Retained earnings/(accumulated deficit)		53,447	(50,433)
Total shareholders' equity		<u>747,739</u>	<u>621,120</u>
Non-controlling interest		532,751	431,549
Total equity		<u><u>1,280,490</u></u>	<u><u>1,052,669</u></u>
Total liabilities and equity		<u><u>3,538,373</u></u>	<u><u>3,359,794</u></u>

Contingencies

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The attached notes on pages 7 to 23 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Sales		1,876,203	2,111,941
Cost of sales		<u>(1,532,349)</u>	<u>(1,819,521)</u>
Gross profits		343,854	292,420
Operating expenses			
Selling and distribution expenses	21	(26,094)	(23,710)
General and administrative expenses	22	<u>(58,072)</u>	<u>(53,696)</u>
Income from operations		259,688	215,014
Other income (expenses)			
Net insurance compensation	24	50,229	-
Financial charges	15	(79,977)	(100,163)
Advance against investment written-off		-	(1,040)
Provision against projects under study	10	(310)	-
Projects under study written-off	10	(11,101)	(5,600)
Project development cost		(6,366)	(2,189)
Foreign currency exchange loss		(645)	(2,828)
Change in fair value of derivative financial instruments	18	5,611	5,740
Amortization of intangible assets	12	(9,971)	(9,392)
Provision against available for sale investment	9	(390)	(753)
Other income		<u>488</u>	<u>862</u>
Income before zakat and non-controlling interest		207,256	99,651
Zakat	17	<u>(8,703)</u>	<u>(1,564)</u>
Income before non-controlling interest		198,553	98,087
Non-controlling interest		<u>(88,734)</u>	<u>(46,409)</u>
Net income for the year		<u>109,819</u>	<u>51,678</u>
Earnings per share:			
		<u>(Saudi Riyals)</u>	
Income from operations	23	<u>3.75</u>	<u>3.11</u>
Net income for the year	23	<u>1.59</u>	<u>0.75</u>

The attached notes on pages 7 to 23 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Cash flow from operating activities			
Net income for the year		109,819	51,678
<u>Adjustments for non-cash items</u>			
Depreciation	13	180,561	176,920
Amortization of intangible assets	12	9,971	9,392
Impairment provision against available for sale investment	9	390	753
Loss on disposal of property, plant and equipment		1	-
Provision against projects under study	10	310	-
Projects under study written-off	10	11,101	5,600
Advance against investments written-off		-	1,040
Zakat provision	16	8,703	1,564
Derivative financial instruments		(5,611)	(5,740)
Income from investments in Murabaha Funds	17	(136)	(50)
Income attributable to non-controlling interest		88,734	46,409
Employee termination benefits provision	19	5,428	4,828
Financial charges		79,977	100,163
<u>Changes in working capital:</u>			
Accounts receivable		(57,003)	(165,018)
Prepayments and other assets		5,900	(2,687)
Due from related parties		14,866	(25,194)
Inventories		(29,812)	14,632
Accounts payable		(21,622)	(43,126)
Accrued and other liabilities		12,571	19,294
Due to related parties		(1,561)	(4,213)
Employees' termination benefits paid	19	(2,024)	(1,679)
Zakat paid	17	(1,598)	(1,622)
Net cash generated from operating activities		<u>408,965</u>	<u>182,944</u>
Cash flow from investing activities			
Movement of short-term investments in Murabaha Funds		(6,829)	(4,472)
Security deposit		-	31,529
Additions to projects under study		-	(5,676)
Advance against investments		(5,000)	-
Investment in joint venture		-	(21,394)
Purchase of property and equipment	13	(76,437)	(46,948)
Net cash utilized in investing activities		<u>(88,266)</u>	<u>(46,961)</u>
Cash flow from financing activities			
Repayment of long-term loans	15	(1,049,224)	(191,984)
Proceed of long-term loans	15	1,000,000	-
Repayment of short-term loans	14	(120,000)	-
Proceed of short-term loans	14	142,496	120,000
Deferred financial charges incurred	12	(15,000)	-
Changes in non-controlling interest		12,468	9,081
Financial charges paid		(79,977)	(100,163)
Net cash utilized in financing activities		<u>(109,237)</u>	<u>(163,066)</u>
Net change in cash and cash equivalents		211,462	(27,083)
Cash and cash equivalents - beginning of the year		<u>59,219</u>	<u>86,302</u>
Cash and cash equivalents - end of the year		<u>270,681</u>	<u>59,219</u>
Supplementary information for non-cash transactions			
Advance against investment transferred to investment in joint venture		-	10,606
Provision for slow moving inventories written-off		<u>(3,845)</u>	-

The attached notes on pages 7 to 23 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	Share capital	Statutory reserve	Cumulative changes in fair values	Retained earnings (accumulated deficit)	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2013		692,000	17,316	(37,763)	(50,433)	621,120	431,549	1,052,669
Net income for the year		-	-	-	109,819	109,819	-	109,819
Net income for the year attributable to non-controlling interest		-	-	-	-	-	88,734	88,734
Transfer to statutory reserve	20	-	5,939	-	(5,939)	-	-	-
Net change during the year		-	-	-	-	-	12,468	12,468
Fair value adjustments	2	-	-	16,800	-	16,800	-	16,800
December 31, 2013		692,000	23,255	(20,963)	53,447	747,739	532,751	1,280,490
January 1, 2012		692,000	17,316	(49,997)	(102,111)	557,208	376,059	933,267
Net income for the year		-	-	-	51,678	51,678	-	51,678
Net income for the year attributable to non-controlling interest		-	-	-	-	-	46,409	46,409
Net change during the year		-	-	-	-	-	9,081	9,081
Fair value adjustments	2	-	-	12,234	-	12,234	-	12,234
December 31, 2012		692,000	17,316	(37,763)	(50,433)	621,120	431,549	1,052,669

The attached notes on pages 7 to 23 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Alujain Corporation (the "Company") and its subsidiary (collectively the Group) consist of the Company and its Subsidiary National Petrochemical Industrial Company (NATPET). The Company is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated Jamad Thani 15, 1412H (corresponding to December 21, 1991) and obtained its Commercial Registration on Rajab 3, 1412H (corresponding to January 7, 1992).

The objectives of the Company are to promote and invest in metal and petrochemical industries and other industrial projects.

The accompanying consolidated financial statements include the accounts of the Company and its Subsidiary, (NATPET) in which the Company owns 57.4 % ownership interest (2012: 57.4%). NATPET is in the business of manufacturing and selling Polypropylene. NATPET's Polypropylene (PP) Complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

During the first quarter ended March 31, 2013, the Group announced that, in line with the normal industrial practice, the Propylene and Polypropylene Complex was shut down for a period of approximately 22 days starting January 27, 2013 for turnaround procedures. Due to certain unforeseen mechanical maintenance requirements, the shutdown was extended for another period of 17 days in order to complete the maintenance.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and derivative financial instruments to fair value, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Critical accounting estimates and judgments

The preparation of 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting year. 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, by definition, seldom equal the related actual results.

2.3 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. Also, subsidiaries are not consolidated if the control is temporary. Such subsidiaries are accounted for using the equity method of accounting.

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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 and 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. Accounting policies of the Subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries over which the Company has temporary control or where they are under restructuring, are not consolidated and accounted for as associates.

b) Associates and joint venture

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 and joint venture are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates and joint venture includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates and joint venture's post-acquisition income or losses is recognized in the consolidated 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 joint venture are eliminated to the extent of the Group's interest in the associates and joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

c) Short-term investments in Murabaha funds

Short-term investments in Murabaha funds are carried at fair value and included under current assets. Changes in fair values are included in the consolidated income statement.

d) Available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed.

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Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4 Foreign currency translations

(a) Reporting currency

The financial statements of the Group are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the 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 consolidated income statement.

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 accounts receivable are uncollectible, they are written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited in the consolidated income statement.

2.6 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, if any.

2.7 Property, plant and equipment

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

	Number of years
• Plant and equipment	10 – 20
• Buildings	20
• Computers	3 – 4
• Furniture and fixtures	5 – 10
• Leasehold improvements	3 – 10 (or the period of the lease)
• Vehicles	4
• Office equipment	5 – 10
• Laboratory and safety tools	5 – 10

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

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

The cost of planned turnaround are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such cost.

2.8 Deferred charges

Costs that are not of benefit beyond the current period are charged to the consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the accompanying consolidated balance sheet, include certain indirect construction costs which are amortized over periods which do not exceed seven years. Deferred charges also include front-end fee paid on a loan from Saudi Industrial Development Fund ("SIDF") and other commercial banks. Such charges are amortized over the term of the loan.

2.9 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using 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.

Provision is made for the inventory considered by management to be slow moving or obsolete.

2.10 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 consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.11 Projects under study

Projects under study are stated at cost and are provided for to the extent that they may not be recoverable on the basis of a review of each project and an assessment of the outcome. Project costs are written off when a project is no longer considered viable.

2.12 Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

2.13 Accounts payable and accruals

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

2.14 Provisions

Provisions are recognized, when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

ALUJAIN CORPORATION
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2.15 Zakat

The Company and its Saudi Arabian subsidiary is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (DZIT). Provision for zakat for the company and its Saudi Arabian subsidiary is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiary withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

2.16 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the consolidated 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 laws of Saudi Arabia.

2.17 Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the statement of income.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they were designated.

Cash flows hedge which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss of the effective portion of the hedging instrument directly in equity, while any ineffective portion is recognized immediately in the consolidated income statement.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

ALUJAIN CORPORATION
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(All amounts in Saudi Riyals thousands unless otherwise stated)

2.18 Segment reporting

(a) Business segment

A business segment is a group of assets and operations:

- (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.

(b) Geographical segment

A geographical segment is a group of assets and operations 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 Revenue recognition

Revenues are recognized upon delivery of products and customer acceptance, if any. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Revenue from sale made through the off-taker and marketer are recognized upon delivery and are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the off-taker and marketer from third parties net off actual selling and distribution costs incurred by the marketers as the marketing fee to cover all other marketing expenses. Adjustments are made, as they became known to the Group.

Dividend income is recognized when the right to receive payment is established.

2.20 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.

2.21 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease.

2.22 Reclassification

Certain reclassifications have been made in the comparative 2012 consolidated financial statements to conform with 2013 presentation

3 Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit 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.

3 Financial instruments and risk management (continue)

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are credit risk, currency risk, interest rate risk, price risk, liquidity risk and fair value and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term investments in Murabaha Funds, due from related parties, security deposit, investments in associates and available for sale investment, advance against investment, short-term and long-term borrowings, due to related parties, Zakat, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each significant item.

Financial asset and liability are offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 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.

3.2 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.

3.3 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.

3.4 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.

Accounts receivable are carried net of provision for doubtful debts.

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3 Financial instruments and risk management (continue)

3.5 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.

3.6 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.

4 Cash and cash equivalents

	2013	2012
Cash in hand	248	187
Cash at banks	<u>270,433</u>	<u>59,032</u>
	<u><u>270,681</u></u>	<u><u>59,219</u></u>

Cash at banks include short term deposit amounting to Saudi Riyals nil as at December 31, 2013 (2012: Saudi Riyals 74.5 thousand)

5 Accounts receivable, net

	2013	2012
Trade receivables	318,160	271,847
Net back adjustments	<u>1,250</u>	<u>(9,440)</u>
	<u><u>319,410</u></u>	<u><u>262,407</u></u>

Net back adjustments represent the variance between the actual sale prices to end customers compared to the off-taker provisional prices.

6 Prepayments and other assets

	2013	2012
Prepayments	6,447	18,290
Security deposit	8,420	8,420
Advance to supplier	4,870	2,493
Employees advance	2,446	1,692
Other assets	<u>7,406</u>	<u>4,594</u>
	<u><u>29,589</u></u>	<u><u>35,489</u></u>

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7 Related party matters

7.1 Related party transactions

A portion of the Company's general and administrative expenses and project - related costs are charged by affiliates. Prices and terms of payment are approved by management.

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

<u>Related parties</u>	<u>Nature of transactions</u>	<u>2013</u>	<u>2012</u>
Board of Directors of the Company	Remunerations	840	815
Board of Directors of the Subsidiary	Remunerations	4,224	2,485
Hidada Company Limited	Joint expenses charged to the Group	11	1,115
Saudi Cable Company	Joint expenses charged by the Group	379	47
Saudi Cable Company	Joint expenses charged to the Group	84	144
Xenel Industries Company Limited	Joint expenses charged to the Group	6,595	5,575
Safra Company Limited	Joint expenses charged to the Group	8,080	5,995
Safra Company Limited	Joint expenses charged by the Group	-	2
Xeca International for Information Technology	Joint expenses charged to the Group	129	291
Zain Industries Company (Zain)	Advance provided by the Group	1,039	624
Bonar Natpet Company	Joint expenses charged by the Group	9,219	13,054
Bonar Natpet Company	Loan from the Company	14,500	12,000

7.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

	<u>2013</u>	<u>2012</u>
Due from related parties		
Bonar Natpet Company	8,427	25,054
Zain Industries Company (Zain) (associate)	6,005	4,965
Saudi Cable Company (affiliate)	721	-
	<u>15,153</u>	<u>30,019</u>
Due to related parties		
Chemglobal Corporation (affiliate)	1,364	1,364
Xenel Industries Company Limited (affiliate)	1,204	400
Safra Company Limited (affiliate)	685	1,277
Hidada Company Limited (affiliate)	18	820
Saudi Cable Company (affiliate)	-	971
	<u>3,271</u>	<u>4,832</u>

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8 Inventories, net

	2013	2012
Finished goods	135,566	98,418
Raw materials	48,158	47,699
Work in progress	5,027	4,140
Spare parts and supplies, not held for sale	<u>124,504</u>	<u>137,031</u>
	313,255	287,288
Less: provision for slow moving inventories	<u>(70)</u>	<u>(3,915)</u>
	<u><u>313,185</u></u>	<u><u>283,373</u></u>

Movement in provision for slow moving inventories:

	2013	2012
January 1	3,915	3,915
Write-off	<u>(3,845)</u>	-
December 31	<u><u>70</u></u>	<u><u>3,915</u></u>

9 Investments, net

	2013	2012
Investment in joint venture - see (a) below	32,000	32,000
Investment in an associate - see (b) below	9,816	9,816
Available for sale investments - see (c) below	<u>2,222</u>	<u>2,612</u>
	<u><u>44,038</u></u>	<u><u>44,428</u></u>

(a) Investment in joint venture

NATPET has signed a Joint Venture agreement with an entity based in the Netherlands to set up a manufacturing plant in Yanbu for producing staple fiber and non-woven textiles. NATPET owns a 50% stake in the Joint Venture. The joint venture obtained its commercial registration in October 2012 and is expected to commence commercial operations during the first quarter of 2014. The joint venture has signed a loan agreement with SIDF during December 31, 2013 amounting to Saudi Riyals 76.6 million in order to finance the construction of its project. NATPET has provided a corporate guarantee of 50% to SIDF for the loan.

(b) Investment in an associate:

	2013	2012
Cost of investment	36,059	36,059
Provision for impairment	<u>(26,243)</u>	<u>(26,243)</u>
	<u><u>9,816</u></u>	<u><u>9,816</u></u>

The Company's investment in an associate represents its equity ownership in Zain Industries Company (Zain) (formerly Arab Pesticides Industries Company Limited (MOBEED)), an associated company. During 2008, Alujain acquired additional shares that increased its ownership from 25% to 93.08% and during 2009 it sold half of its ownership (46.54%) to a related party. The Company acquired further shares during 2010, increasing its ownership to 52.21% as of December 31, 2010 and upto December 31, 2013. Zain started commercial operations during late 2010 and is currently under a restructuring and stabilising period. The Group intends to share control with its related party subsequent to the stabilisation of operations in Zain. Since, Zain is currently under a restructuring phase and the control is temporary, the Company did not consolidate its investment in Zain.

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9 Investments, net (continued)

(c) The movement in the available for sale investments for the years ended December 31 is as follows:

	2013	2012
January 1	2,612	3,365
Provision for impairment	<u>(390)</u>	<u>(753)</u>
December 31	<u><u>2,222</u></u>	<u><u>2,612</u></u>

Available for sale investment at December 31, 2013 and 2012, principally represent the Company's investment in Arabian Industrial Fibers Company (Ibn Rushd), a Saudi Closed Joint Stock Company.

10 Projects under study, net

	2013	2012
January 1	11,662	11,586
Additions	-	5,676
Provision	<u>(310)</u>	<u>-</u>
Written-off	<u>(11,101)</u>	<u>(5,600)</u>
December 31	<u><u>251</u></u>	<u><u>11,662</u></u>

Projects under study principally relate to the costs of new petrochemical projects at the initial stages, such as feasibility studies, market researches and other related expenses.

11 Advances against Investment

The Subsidiary Company has signed a Joint Venture agreement with an entity based in the Netherland to set up a manufacturing plant in Yanbu to produce polypropylene compounds. The Company will own a 50% stake in the Joint Venture. The legal formalities for forming and registering the Joint Venture in Saudi Arabia are currently under progress.

12 Intangible assets, net

	2013	2012
Deferred financial charges	21,989	10,713
Other deferred charges	<u>22,386</u>	<u>28,633</u>
	<u><u>44,375</u></u>	<u><u>39,346</u></u>

Deferred financial charges principally relate to front end fees paid to the SIDF and other commercial banks, and are being amortized over the period of the loan. The movement of deferred financial charges is as follows:

	2013	2012
January 1	10,713	13,859
Deferred financial charges incurred	15,000	-
Amortization during the year charged to income statement	<u>(3,724)</u>	<u>(3,146)</u>
December 31	<u><u>21,989</u></u>	<u><u>10,713</u></u>

Other deferred charges principally relate to certain indirect construction costs incurred by the Group during the setting up of the plant. The movement of other deferred charges is as follows:

	2013	2012
January 1	28,633	34,879
Amortization during the year charged to income statement	<u>(6,247)</u>	<u>(6,246)</u>
December 31	<u><u>22,386</u></u>	<u><u>28,633</u></u>

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13 Property, plant and equipment, net

	January 1, 2013	Additions	Disposals	Transfer	December 31, 2013
Cost					
Plant and equipment	2,909,359	71,960	-	-	2,981,319
Building	34,146	-	-	-	34,146
Computers	18,512	820	(8)	-	19,324
Furniture and fixtures	4,293	34	-	-	4,327
Leasehold improvements	2,763	93	-	-	2,856
Motor vehicles	3,597	3,469	-	-	7,066
Office equipment	2,698	61	-	-	2,759
Laboratory and safety tools	16	-	-	-	16
Total	2,975,384	76,437	(8)	-	3,051,813
Accumulated depreciation					
Plant and equipment	362,542	174,318	-	-	536,860
Building	4,262	1,784	-	-	6,046
Computers	11,876	3,000	(7)	-	14,869
Furniture and fixtures	3,592	422	-	-	4,014
Leasehold improvements	2,048	236	-	-	2,284
Motor vehicles	2,744	650	-	-	3,394
Office equipment	2,492	147	-	-	2,639
Laboratory and safety tools	12	4	-	-	16
Total	389,568	180,561	(7)	-	570,122
Net book value	2,585,816				2,481,691

	January 1, 2012	Additions	Disposals	Transfer	December 31, 2012
Cost					
Plant and equipment	2,898,265	45,240	-	(34,146)	2,909,359
Building	-	-	-	34,146	34,146
Computers	17,316	1,218	(22)	-	18,512
Furniture and fixtures	4,178	115	-	-	4,293
Leasehold improvements	2,650	113	-	-	2,763
Motor vehicles	3,620	210	(233)	-	3,597
Office equipment	2,671	52	(25)	-	2,698
Laboratory and safety tools	16	-	-	-	16
Total	2,928,716	46,948	(280)	-	2,975,384
Accumulated depreciation					
Plant and equipment	194,676	171,676	-	(3,810)	362,542
Building	-	452	-	3,810	4,262
Computers	8,893	3,005	(22)	-	11,876
Furniture and fixtures	2,925	667	-	-	3,592
Leasehold improvements	1,841	207	-	-	2,048
Motor vehicles	2,442	535	(233)	-	2,744
Office equipment	2,143	374	(25)	-	2,492
Laboratory and safety tools	8	4	-	-	12
Total	212,928	176,920	(280)	-	389,568
Net book value	2,715,788				2,585,816

The Group's plant and equipment are mortgaged with the Saudi Industrial Development Fund (SIDF) and a second charge by other commercial banks as security against the term loan received from them.

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14 Short term loans

The Subsidiary company has signed an agreement with Arab Banking Corporation-Bahrain on March 2013 for financing of receivables amounting to Saudi Riyals 75 million and working capital facility amounting to Saudi Riyals 30 million.

The Subsidiary has signed an agreement with the Saudi Industrial Development Fund (SIDF) on August 10, 2012 for export finance facility of Saudi Riyals 75 million. The facility is available for a period of three years from the date of signing.

15 Long term loans

The Subsidiary has signed loan agreements with syndication of commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF) in order to finance the construction of its plant. The loan balance is comprised of the following as of December 31:

	2013	2012
Islamic Bridge / Commercial Banks' syndication (a)	944,490	853,714
Public Investment Fund loan (b)	525,000	600,000
SIDF Loan (c)	200,000	265,000
Others	21,645	21,645
	<u>1,691,135</u>	<u>1,740,359</u>
Less: Current portion of long-term loans	<u>(244,670)</u>	<u>(140,000)</u>
Non-current portion of long term loans	<u>1,446,465</u>	<u>1,600,359</u>

- (a) The Subsidiary has signed a loan agreement with the Commercial Banks' syndication in February 2006. The term loan is secured by a second charge on the Subsidiary's assets. These loans carry borrowing costs at commercial rates and are repayable in 17 bi-annual installments commencing from the end of December 31, 2009. The installments due in the next 12 months are shown as a current liability.

On September 26, 2012 the subsidiary company signed an Islamic Bridge Facility Agreement for Saudi Riyals 974 million with Banque Saudi Fransi and SAMBA Financial Group. The proceeds of this Facility were used to fully repay the remaining balance of Saudi Riyals 854 million of its term loans with Commercial Banks and use Saudi Riyals 120 million for working capital needs and equity investments.

On July 25, 2013 the subsidiary company has signed an Islamic Facility Agreement of Saudi Riyals 1 billion with a Syndication of Commercial Banks. The proceeds of these Facilities were used to fully repay the Islamic Bridge Facility loan of Saudi Riyals 974 million. The loan carries borrowing cost at commercial rates.

- (b) The Subsidiary has signed a loan agreement with Public Investment Fund (PIF) in June 2008 for a loan of USD 125 million (Saudi Riyals 468.75 million) which was fully drawn in 2008. The Subsidiary signed an additional loan agreement with PIF on January 5, 2010 for an amount of USD 75 million (Saudi Riyals 281.25 million) which was fully drawn during 2010. The term loan is repayable in 20 bi-annual installments starting on June 30, 2011. The installments due in the next 12 months are shown as a current liability.
- (c) The Subsidiary has signed a loan agreement with SIDF in August 2006 for an amount of Saudi Riyals 400 million which was fully drawn. The SIDF loan carries project evaluation fees amounting to Saudi Riyals 30 million, which was recorded as deferred financial charges (note 12). The balance of Saudi Riyals 7.6 million as at December 31, 2013 (2012: Saudi Riyals 10.7 million), (note 12) is being amortized over the term of the loan on a straight line basis. The SIDF term loan is repayable in 13 bi-annual installments starting in July 2010 and is secured by a mortgage over the fixed assets of the project and corporate guarantees and a comfort letter as follows:

	<u>Security type</u>	<u>%</u>
Xenel Industries Company Limited.	Corporate guarantee	25.9
Safra Company Limited	Corporate guarantee	5.0
Alujain Corporation	Corporate guarantee	57.4
GOSI	Comfort letter	11.7

The SIDF loan installments due in the next 12 months are shown as a current liability.

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15 Long term loans (continued)

The purpose of the above loans is to finance the construction of the plant. Also, the Subsidiary has entered into a concurrent interest rate swap contract with local commercial banks to hedge the variable interest rate cash flows on the loan (see note 18).

16 Accrued and other liabilities

	2013	2012
Accrued expenses	210,134	185,408
Advances from customers	3,277	15,432
	<u>213,411</u>	<u>200,840</u>

17 Zakat matters

Zakat computation for the years ended December 31, was based on the standalone financial statements for the Company and its Subsidiary.

a) Movement of Zakat provision during the years ended December 31 was as follows:

	2013	2012
Beginning balance	8,483	8,541
Provided during the year	8,703	1,564
Paid during the year	(1,598)	(1,622)
Ending balance	<u>15,588</u>	<u>8,483</u>

(b) Zakat status

Alujain Corporation

The Company finalized its Zakat status for the year ended December 31, 2002 and obtained the final Zakat certificate.

The Company filed the final Zakat returns for the years ended December 31, 2003 to 2007. The DZIT issued its assessment for the said years and claimed additional Zakat differences of Saudi Riyals 5.4 million. The Company objected against the said assessments, which is still under review by the DZIT till todote.

The Company filed its Zakat returns for the years ended December 31, 2008 to 2010. The DZIT issued the final assessments for the said years and claimed additional Zakat differences of Saudi Riyals 16.87 million. The Company objected against the said assessments, which is still under review by the DZIT till todote.

The Company filed its Zakat return for the years ended December 31, 2011 and 2012 and obtained the restricted Zakat certificate. The DZIT issued the preliminary Zakat assessment for the said year and claimed additional Zakat differences of Saudi Riyals 1.3 million for each of the years. The Company objected against the said assessment, which is still under review by the DZIT till todote.

NATPET

The Department of Zakat and Income Tax ("DZIT") raised assessments for the period/ years ended 31 December 1999 to 2005 with additional zakat, withholding tax ("WHT") and delay fine liability of Saudi Riyals 8.6 million. The Company filed an appeal against the assessments with the Preliminary Appeal Committee ("PAC"). The PAC issued its decision whereby the assessed liability was reduced to Saudi Riyals 7.4 million.

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17 Zakat matters (continued)

The Company filed an appeal against the PAC's decision with the Higher Appeal Committee ("HAC") and submitted a bank guarantee of Saudi Riyals 7.4 million. The HAC issued its decision whereby the additional liability was reduced to Saudi Riyals 7 million. Subsequently the Company filed a petition with the Board of Grievances ("BOG") against the HAC's decision. The petition is currently being reviewed by the BOG.

The DZIT raised assessments for the years ended 31 December 2006 to 2008 with additional zakat and WHT liability of Saudi Riyals 12 million. The company filed an appeal against the DZIT's assessments with the PAC and also settled the additional WHT and delay fine liability of Saudi Riyals 9 million "under protest". The PAC issued its decision whereby the additional zakat liability was reduced to Saudi Riyals 112 thousand. The Company filed an appeal against the PAC's decision with the Higher Appeal Committee (HAC) and submitted a bank guarantee of Saudi Riyals 112 thousand. HAC is currently reviewing the Company's appeal.

Zakat returns for the years ended 31 December 2009 to 2012 were filed and the restricted Zakat certificate for the year 2012 was obtained. The DZIT issued a preliminary assessment for the year ended December 31, 2012, and claimed additional Zakat differences of Saudi Riyals 800 thousand. The Company objected against the said assessment, which is still under review by the DZIT.

18 Derivative financial instruments

In prior years, the Subsidiary entered into an interest rate swap (the "Swap Contract"), with local commercial banks to hedge future adverse fluctuation in interest rates on its long term borrowings. The Subsidiary designated the Swap Contracts, at its outset, as a cash flow hedge.

The notional amount of the Swap Contracts at December 31, 2013 is Saudi Riyals 816 million (2012: Saudi Riyals 802 million). The Swap Contract is intended to effectively convert the interest rate cash flow on the long term loans from a floating rate based on LIBOR to a fixed rate, during the entire tenor of the loan agreements.

At December 31, 2013, the Swap Contracts had a negative fair value of Saudi Riyals 45 million (2012: Saudi Riyals 80 million), based on the valuation determined by a model and confirmed by the Subsidiary's bankers. Such negative fair value is included in non-current liabilities in the balance sheet with a corresponding debit to the changes in fair value of derivatives in the shareholders' equity accounts. The Subsidiary charged an amount of Saudi Riyals 5.6 million as a gain (2012: Saudi Riyals 5.7 million) to the income statement, being the ineffective portion of the interest rate swap.

19 Employee termination benefits

	2013	2012
January 1	15,792	12,643
Addition	5,428	4,828
Payments	<u>(2,024)</u>	<u>(1,679)</u>
December 31	<u>19,196</u>	<u>15,792</u>

20 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. During the year ended December 31, 2013, the Group transferred Saudi Riyals 5.9 million to statutory reserve which equals 10% of the net income for the year after absorbing the accumulated deficit (2012: nil). This reserve is not available for distribution to the shareholders of the Group..

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21 Selling and distribution expenses

	2013	2012
Salaries and wages	8,273	8,901
Public relation and publicity	7,245	1,424
Warehouse management	6,543	8,648
Travel and accommodation	1,503	1,398
Legal and professional fees	395	493
Utilities and services	321	323
Subscriptions and office supplies	172	81
Depreciation	69	71
Engineering and technical assistance	11	266
Other expenses	1,562	2,105
	<u>26,094</u>	<u>23,710</u>

22 General and administrative expenses

	2013	2012
Salaries and wages	29,188	28,625
Legal and professional fees	5,539	5,302
Directors' compensation	5,064	3,300
Public relation and publicity	3,576	2,359
Depreciation	3,274	3,477
Information technology	2,866	2,752
Travel and accommodation	2,364	1,664
Rent	1,689	2,021
Utilities and services	1,175	1,340
Engineering and technical assistance	766	609
Subscriptions and office supplies	518	332
Meetings, seminars and conferences	357	465
Repairs and maintenance	272	519
Other expenses	1,424	931
	<u>58,072</u>	<u>53,696</u>

23 Earnings per share

Earnings per share for the years ended December 31, 2013 and 2012 have been computed by dividing the operating income and net income for each years by the weighted average number of shares outstanding during such years.

24 Net insurance compensation

During the third quarter of 2013, the subsidiary company received insurance settlement of Saudi Riyals 75 million against its claim for PDH plant crash shutdown which had taken place in the third quarter of 2011 resulting from machinery damage in the plant. The compensation comprises of Saudi Riyals 24.77 million pertaining to capital repairs and Saudi Riyals 50.23 million to compensate for the resulted loss from the stoppage of production until final repairs were carried out in 2013.

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25 Segment information

The Group conducts its business in Saudi Arabia and principally produces polypropylene for various industrial use. Accordingly, business or geographical segment information is not currently applicable.

26 Operating leases

The Group has various operating leases for its land on which the Subsidiary's plant has been built, offices and warehouses. Rental expenses for the year ended December 31, 2013 amounted to Saudi Riyals 2.8 million (2012: Saudi Riyals 2.9 million). Future rental commitments at December 31, 2013 under these operating leases are as follows:

Years ending December 31:

	2013	2012
2013	-	1,900
2014	1,124	1,124
2015	645	645
There after	<u>14,543</u>	<u>14,543</u>
	<u><u>16,312</u></u>	<u><u>18,212</u></u>

27 Contingencies

At December 31, 2013 the Group had the following contingencies:

- i) As at December 31, 2013, the Group has contingent liabilities related to letters of guarantee amounting to Saudi Riyals 440.2 million (2012: Saudi Riyals 440.2 million) on which a margin deposit of Saudi Riyals 8.3 million was paid (2012: Saudi Riyals 8.3 million).
- ii) See note 17 for Zakat contingency.