

ANNUAL REPORT

2014



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Custodian of The Two Holy Mosques
King Salman bin Abdulaziz Al Saud



His Royal Highness
Prince Muqrin bin Abdulaziz Al Saud,
Crown Prince, Deputy Prime Minister and Minister of Defence



His Royal Highness
Prince Mohamed bin Naif bin Abdulaziz Al Saud,
Deputy Crown Prince, Second Deputy Premier, and Advisor and Special Envoy of the Custodian of the Two Holy Mosques

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Speech of Chairman & Managing Director



Peace and blessing of Allah be upon the Messenger of Allah.

Dear GASCO shareholders,

It gives me pleasure to welcome you on behalf of my brothers, the Board of directors, and present to you the Board's annual report 2014. The report is designed to provide you with information about the Company's performance and activities and highlight the latest developments which the Company witnessed in its different sectors. We believe that our achievements are maintained by Allah and your trust in us and your investment in the Company which complies with the governance standards and supports the principles of disclosure and transparency.

Since assuming the responsibility of the Company's Board of Directors, we put on top of our priorities the creation of a development strategic plan to be a roadmap through which we can study the strengths and weaknesses and identify the needs and requirements. This is to draw a brilliant future for the Company and build a sustainable competitive advantage. Praise be to Allah, since the very early start, we contracted with major global specialized companies to build Company strategy. The stage of study and preparation was concluded by the end of last July, and is currently implemented and applied through a comprehensive audit of the Company's different activities, updating the organizational structure and improving the processes and services offered to all categories of the Company's clients. The aim is to have all the efforts and activities of the Company focused on providing the best with the highest safety standards and best criteria of efficiency and global professionalism.

In this regard, we, through our activities, focus on the drawing of the Company's future vision so as to be a source of trust to our clients through expanding our services of liquefied petroleum gas and diversified and invented advanced power solutions.

At the same time, we put on top of our priorities of work in the Company the exertion of the utmost diligence in improving the levels of Company security and safety through the services provided or the security and safety of our employees and premises. We apply the latest global standards of safety and professional health. We are also deeply committed to the standards and requirements of the Higher Commission for Industrial Security (HCIS). We always seek to provide the state-of-the-art training programs for our employees in the fields of security and industrial safety.

We have learnt that continuous long-term success requires us to build a solid and sustainable establishment taking into consideration the economic factors and the present and future challenges. The Company will use the state-of-the-art electronic systems to manage work and attract the best experiences to develop its human resources and improve the Company level of performance to the world-class companies in this field.

The values we seek to apply are common and integrated. These are the client satisfaction, the preservation, training and development of the national human resources, and the maximization of the profits for the shareholders by way of building a strong financial standing and constant growth in the operational outcomes to guarantee financing the Company financial requirements and capital projects. At the outset of 2014, the Company adopted a quarterly profit distribution policy to help shareholders achieve their goals and expectations.

In the Bounty of Allah, the Company could yield in 2014 a net profit of SR 152 million with an increase of 33.6% compared to previous year. 88% of these profits is operational; profits per share was SR 2.03 in 2014. The Company also distributed quarterly cash profits leading the total distribution to SR 135 million.

We thank Allah for the Company's distinguished performance and results which it achieved in 2014, which reflect our concern for reducing the costs and expenditures and maximizing the revenues and developing the services. Inside this report you will find the relevant particulars. We hope these are outlined in a clear and sufficient way which helps you take the ideal investment decisions and understand the Company's operations and strategic approach. We ask Allah to guide us to the faithful and honest work to achieve more excellence and precedence to achieve your Company goals in a manner that ensures the continuity of achieving the highest profits for its shareholders, supporting the national economy and developing the society.

Our efforts, along with the support of our rational government and your constant support to us, make us more confident and assured in continuing our distinguished performance and achieving our promises to you.

Thereupon, the Board of Directors deeply thank His Majesty, the Custodian of the Two Holy Mosques, His Highness the Crown Prince and His Highness the Deputy Crown Prince for their continuous support and assistance to the sectors of commerce and industry and the industrial and economic renaissance in the Kingdom of Saudi Arabia.

Best regards.

Chairman

Salman bin Mohammad Hassan Al Jashi

Board of Directors Members

Chairman
Salman Al-Jishi



Vice-Chairman
Raed Al-Hugail



Member
Mohammed Al-Kathiri



Member
Ali Al-Safian



Member
Mohammed Ali Ikhwan



Member
Abdulaziz Al-Omair



Member
Mohammed Al-Shabnan



Member
Ibrahim Al-MoaiqeI



Member
Ghadran Saeed



Member
Sattam Al-Harbi



Dear GASCO shareholders, Peace and blessing of Allah be upon the Messenger of Allah.

National Gas and Industrial Co. (GASCO) was incorporated in 1383H (1963) via the merger of National Gas Company in DAMMAM and its two branches in Riyadh and Jeddah together with Saudi manufacturing and Gas Company in Riyadh and its branches in DAMMAM. At the beginning of the seventies, many companies and small firms were incorporated to fill and distribute the gas. However, the severe inter-competition led to low service levels and irregular continuity of gas provision which required the government to interfere and decide to merge the incorporating company with National manufacturing and Gas Company (GASCO) by the end of 1395H (1975).

The main activity of the company is transportation, filling and marketing LPG, which consists of both butane and propane gases or butane or propane separately. The company activity also include marketing cylinders, empty tanks, related spare parts and tank transportation equipment to consumer sites. The activity also includes all uses of gases e.g. residential, industrial, agricultural, or commercial purposes. In order to achieve this objective, the company owns many filling stations, remarkable transportation, and distribution fleet. Also the company has all the work on the manufacture, transfer and marketing of petroleum products, chemical, glass, auto parts, equipment service centers and the establishment and maintenance of petroleum equipment and vehicles, and may own property and the purchase of land for the construction of buildings and investment sale and lease for the company.

The company aims through its strategic plan to develop a new and different vision for the company by moving from provision of LPG services to more comprehensive services and through the provision of innovative, diverse and advanced energy services.

The Board of Directors is pleased to present to the shareholders with the annual report on the Company's performance and results of its operations for the financial year 2014, which reflects the continued development of the Company's performance in various activities and shows its role in promoting and developing the energy sector and service utilities in Saudi Arabia to serve the Saudi community, achieve the national development plans, effectively contribute to promotion of the national economy and achieve superior returns for its shareholders.

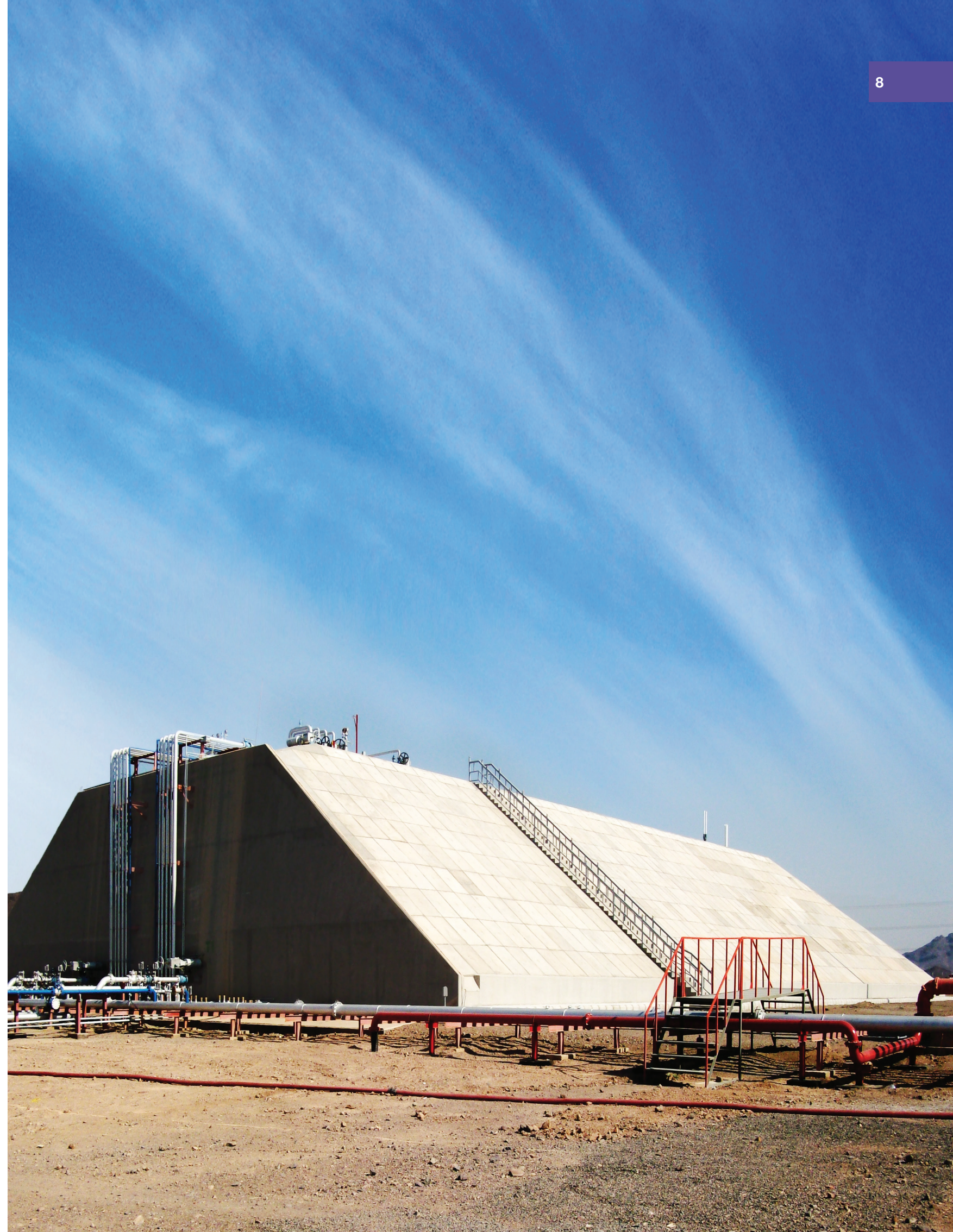


Vision

To be trusted by our customers as a safe source of the advanced energy service.

Mission

To deliver appropriate, safe and reliable energy products and services to satisfy our customers, to care for our employees and community and to create a sustainable value for our shareholders.





Company Performance and Activities in the Financial Year 2014

From 1 January 2014 to 31 December, revenues were up to SR 1,798,160,100 compared to SR 1,787,782,247 for the same period in 2013. The following are the particulars - after deducting the purchase returns:

- 1,342,893,194 kg of gas was sold with a total value of SR 1,659,926,242. This is the main business of the Company (accounting for 92.5%) which influences the volume and outcomes of the Company's major works.
- 557,307 cylinders were sold with a total value of SR 72,764,140. This is the second largest source in terms of sales and accounts for 4% of the total sales.
- 8,743 tanks of different sizes were sold with a value of SR 45,194,434. This is the third largest source in terms of sales and accounts for 2.5% of the total sales.
- Parts of installations and other works were sold at a value of SR 20,275,284. It is an additional source of revenue which accounts for 1%.
- The proceeds of sales were SR 6,676,258.

Fundamental differences in the Income Statement of 2014 compared to the previous year (SR Thousands)

Description	2014	2013	Change (+) & (-)	% change
Sales	1,798,160	1,787,782	10,378	0.58
Sale costs	(1,611,139)	(1,606,021)	- 5,118	0.32
Gross Operating profit	187,021	181,761	5,260	2.89
Administrative expenses	(52,721)	(87,407)	34,686	-39.68
Net Operating Profit	134,299	94,354	39,946	42.34
Other revenues	34,026	40,088	-6,062	-15.12
Other expenses	(9,517)	(14,18)	4,664	-32.89
Net profit (loss) before Zakat	158,809	120,261	38,548	32.05
Zakat	(6,548)	(6,323)	-225	3.56
Net profit after Zakat	152,260	113,938	38,322	33.63

Profits (Loss) after deducting Zakat:

During the said period of time, the Company could attain net profits (after deducting Zakat) of SR 152,260,304 compared to SR 113,937,597 for the same period in 2013.

- The profit increase in the present quarter compared to the same period of previous year is caused by the increase of sales in the present quarter of SR 3.5 million compared to the same period of previous year and by the decrease of public and administrative expenses of the present quarter due to the allocations of SR 37.5 million as Zakat obligations which are objected by the Company, in addition to other matters of the same quarter of the previous year. It is also caused by the decrease in other expenditures because of the preservation of cylinders in the present quarter compared to the same quarter in previous year.
- The profit increase in the present period compared to the same period in previous year is caused by the increase of sales during the present period of SR 10 million compared to the same period in previous year and by the decrease of public and administrative expenses of the present quarter due to the allocations of SR 37.5 million as Zakat obligations which are disputed by the Company, in addition to other matters of the same period in previous year. It is also caused by the decrease of other expenditures because of the preservation of cylinders in the present period compared to the same period in previous year.
- The profits of the present quarter are lower than those of the previous quarter of this year because of the increase of the costs of revenues of the present quarter compared to the previous quarter, the increase of public and administrative expenses of the present quarter at SR 5 million compared to the previous quarter and the increase of Zakat of the present quarter at SR 1,9 million compared to the previous quarter of this year.

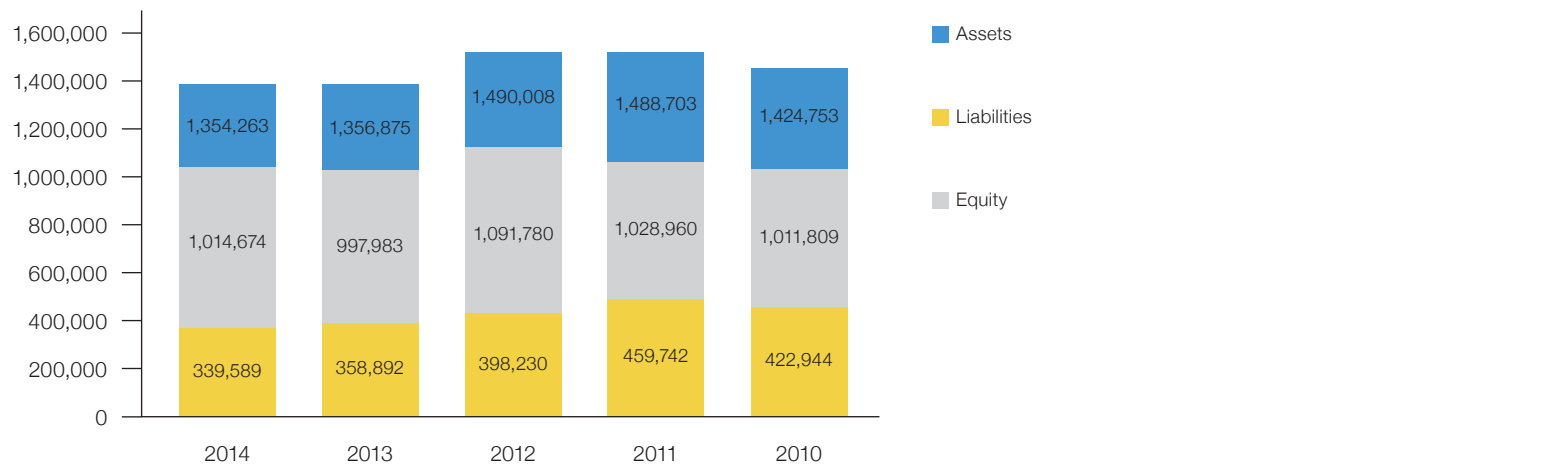
Financial Performance in the previous five years and working capital (SR millions):

Description	2014	2013	2012	2011	2010
A) Current assets	262	262	224	258	228
B) Current liabilities	182	194	198	252	215
Working capital (A) – (B)	80	68	26	6	13

Comparison between the financial positions of the previous five years (SR thousands):

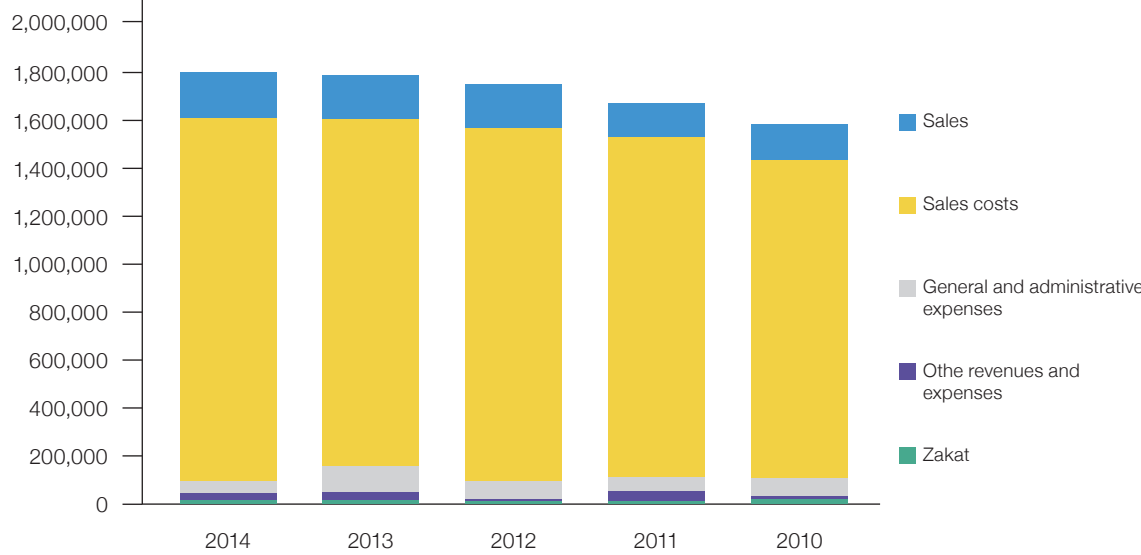
Description	2014	2013	2012	2011	2010
Total cash	48,076	24,476	11,899	42,552	10,738
Total accounts receivable	39,014	26,133	31,280	17,900	15,823
Total other accounts receivable	71,694	56,229	27,876	28,987	60,951
Total inventory	104,153	155,507	153,279	169,001	140,774
Total current assets	262,937	262,345	224,334	258,440	228,286
Deferred expenses	0	73	770	1,702	3,599
(Net) fixed assets	573,481	622,340	504,802	460,302	395,295
Project under construction	117,098	94,119	165,297	151,654	147,293
Real estate investments	34,494	34,494	34,494	34,494	34,494
Long-term investments	303,785	280,674	466,599	482,880	568,490
Investments according to equity	62,468	62,830	93,712	99,231	81,756
Total assets	1,354,263	1,356,875	1,490,008	1,488,703	1,424,753
Accounts payable	76,054	85,023	133,757	156,649	130,754
Other accounts payable	43,451	44,754	39,033	77,426	73,056
Allocation of Zakat	9,012	7,569	6,308	5,941	10,685
Other allocations	53,648	56,756	19,356	11,750	1,000
Total current liabilities	182,164	194,102	198,455	251,765	215,495
Allocation of end-of-service gratuity	157,425	164,790	199,775	207,977	207,449
Total liabilities	339,589	358,892	398,230	459,742	422,944
Paid capital	750,000	750,000	750,000	750,000	750,000
Statutory reserve	241,828	226,602	215,209	201,270	190,636
Agreed reserve	20,656	20,656	20,656	20,656	20,656
Remaining profit	1,109	725	105,915	57,034	15,609
Unrealized profit (Loss)	1,081	-	-	-	24,908
Total equity	1,014,674	997,983	1,091,780	1,028,960	1,001,809
Total equity and liabilities	1,354,263	1,356,875	1,490,008	1,488,703	1,424,753

Summary of assets, liabilities and equity in the previous five years (SR thousands):



Comparison of Statement of Income for the previous five years (SR thousands)

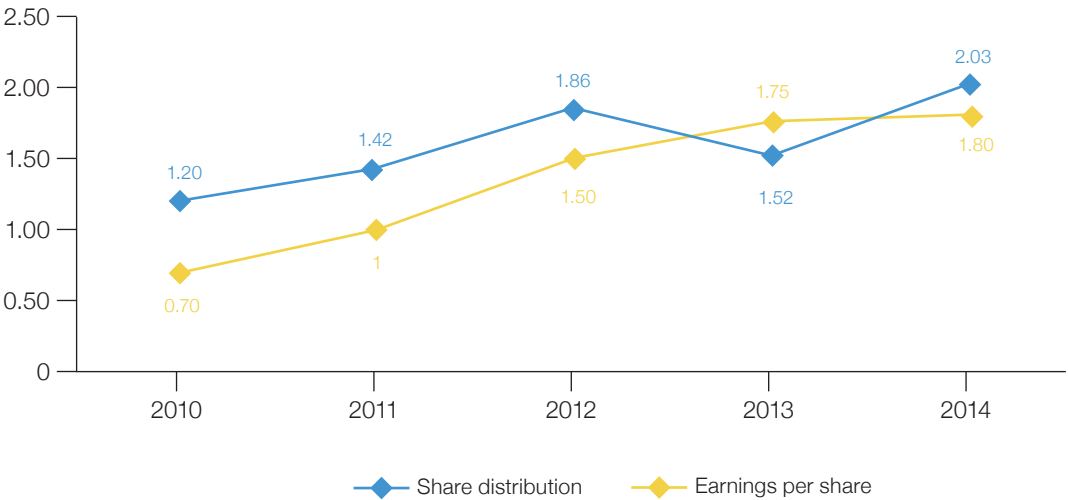
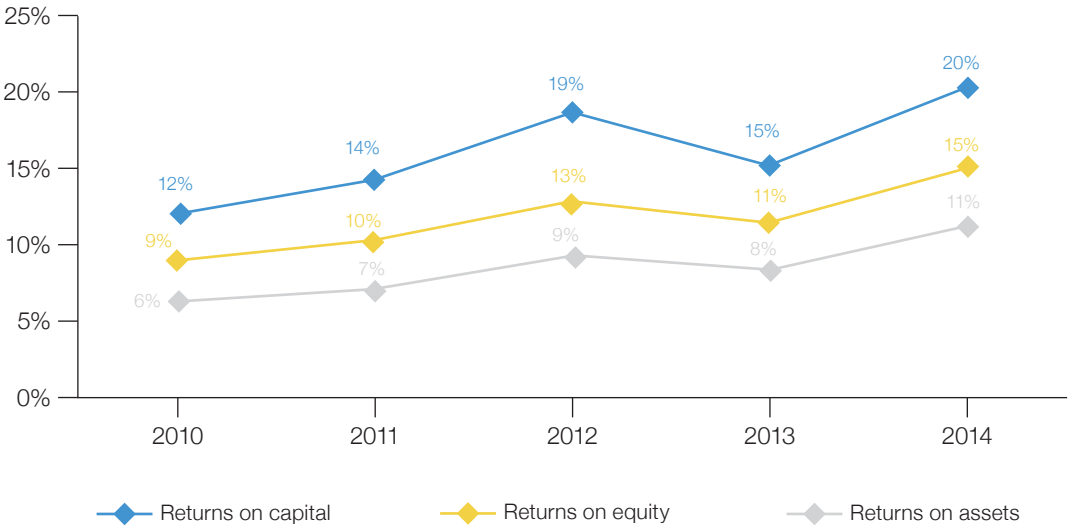
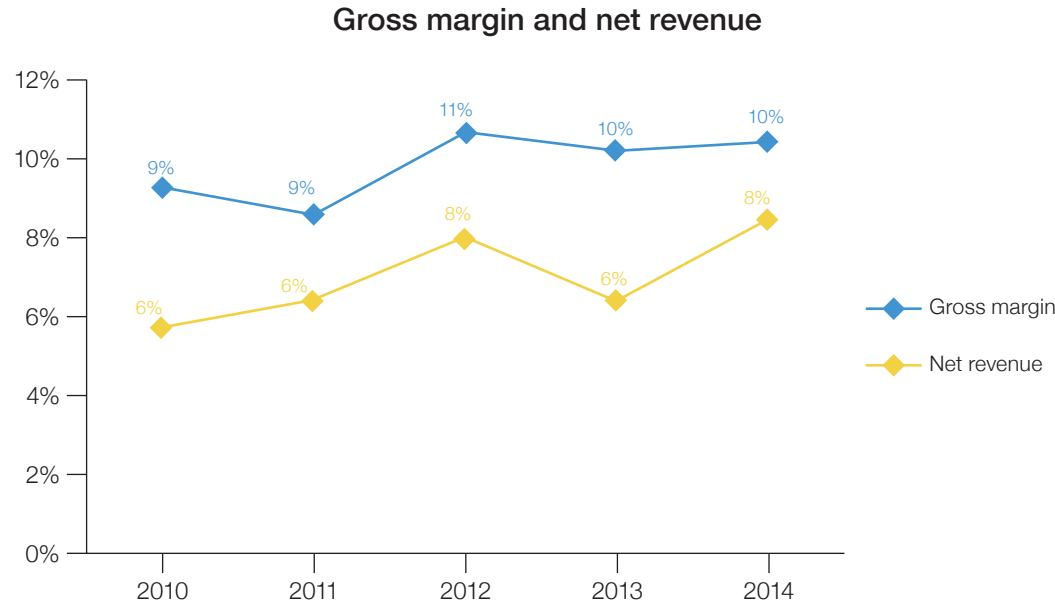
Description	2014	2013	2012	2011	2010
Sales	1,798,160	1,787,782	1,751,709	1,671,476	1,581,331
Sales costs	(1,611,139)	(1,606,021)	(1,565,365)	(1,527,421)	(1,434,843)
Gross operating profit	187,021	181,761	186,344	144,055	146,488
Administrative expenses	(52,721)	(87,407)	(53,207)	(62,088)	(59,322)
Net operating profit	134,299	94,354	133,137	81,967	87,166
Other revenues	34,026	40,088	31,011	47,384	25,931
Other expenses	(9,517)	(14,18)	(11,069)	(20,420)	(19,555)
Other-than-temporary impairments on available-for-sale securities	-	-	-	-	-
Profits and losses from investment assessment according to equity	-	-	(9,565)	1,006	4,962
Net profit (loss) before Zakat	158,809	120,261	143,514	109,937	98,504
Zakat	(6,548)	(6,323)	(4,127)	(3,598)	(8,342)
Net profit after Zakat	152,260	113,938	139,387	106,339	90,162



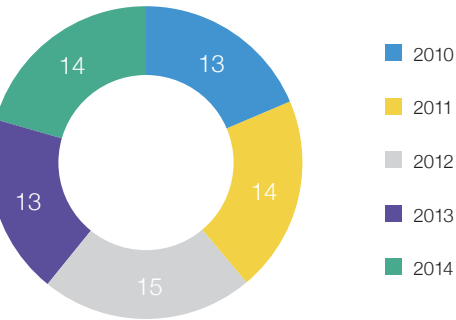
Statement of cash flow (SR thousands):

Description	2014	2013	2012	2011	2010
Net operating cash flow	238,227	118,056	180,26 0	217,728	162,891
Net investing cash flow	77,977	102,254	(98,413)	(133,414)	(118,316)
Net financing cash flow	(136,650)	(207,733)	(112,500)	(52,500)	(37,500)
Net cash flow	179,554	12,577	(30,653)	31,814	7,076
Cash and cash equivalents at the beginning of the period	24,476	11,899	42,552	10,738	3,662
Cash and cash equivalents at the end of the period	48,076	24,476	11,899	42,552	10,738

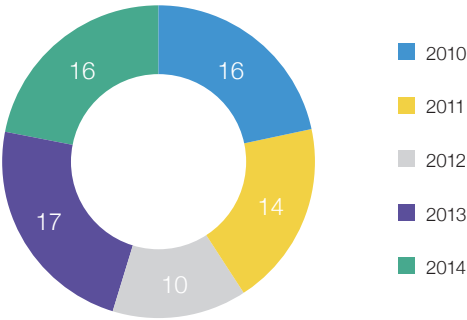
Financial indicators for the previous five years



Book Value Per Share



Price-Earning Ratio



Geographical analysis of company revenues

Branch	Total revenues (SR Thousands)
Riyadh	423,347
Jeddah	407,083
Taif	79,460
Eastern Region	317,063
Madina	158,591
Yanbu	24,531
Qassim	181,085
Southern Region	207,000
Total	1,798,160

Company revenues are diversified and yielded by the following different sectors:

A. Bottled Gas

Cylinder bottled gas is the Company’s most important products. This is because the sales of this item represent about 80% of total sales. Accordingly, the Company gave great importance to this sector. It sought to regulate the sale of cylinders through a number of dealers authorized by the Company to meet the needs of consumers throughout KSA. In compliance with the principle of maintaining the security and safety of citizens, the Company requires the dealers to obtain the necessary licenses from the competent national authorities to secure the adoption of safety requirements and other regulatory requirements in the places of sale and distribution.

The Company serves and follows up the dealers through the Company filling plants and production facilities which are spread across a number of cities and zones. The Company seeks to provide the dealers with the cylinders on a daily basis to help them ideally serve the customers to ensure cylinders are made available at these places.

B. Non-bottled gas

This sector of the Company provides the customers with the service of filling their tanks with gas at their locations via a fleet of distribution trucks which go to the customer’s location. A customer submits a filling request through one of several service channels. The tank is filled after ensuring that the location of the tank is safe and meets the required conditions.

The Company provides a set of gas tanks of different sizes to fulfill the wishes of all customers in terms of size and location. Such tanks are also distinguished by being more safe. Services are provided to the customers at their locations and gas is always available at the location as there is a means to identify the quantity of the available gas in these tanks to avoid sudden shortage.

The Company provides its services to several categories of customers: the governmental, commercial, industrial, agricultural, housing and other sectors.

Statutory payments due to government authorities:

Table below shows a comparison of the statutory payments owed by the company to statutory or regulatory government authorities as at 31/12/2014:

Description	2014	2013
Zakat and Tax	5,105,316	6,323,054
General Organization for Social Insurance	32,055,642	30,480,223
Total	37,160,958	36.803.277

Investments

A. Investments in companies

1. Saudi Gas Cylinder Factory

The SGCF is a closed joint stock company, registered in the Commercial Register of Riyadh pursuant to KSA’s Companies’ Act under No. 1010029561 dated 30/04/1400H. The SGCF manufactures gas cylinders according to the industrial license No. 682 dated 15/05/1418H. The total finance of the factory is SR 92.13 million of which 25% at least is paid to produce gas cylinders and tanks and dry powder fire extinguishers.

The SGCF was turned from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 239/D dated 14/07/1430H.

GASCO owns 37.57% of the SGCF’s capital which is SR 23 million.

2. Natural Gas Distribution Company of Riyadh

The NGDC was established under commercial register No. 1010160762 dated 02/05/1421H corresponding to 20 August 2000 at Riyadh.

The Company operates in purchasing dry gas from ARAMCO and distributes it via a distribution network to all existing and future factories in Riyadh Second Industrial City

The Company operates and maintains this network to provide services to the customers under license No. 1 of 1423H of the Ministry of Petroleum and Mineral Resources and industrial license No. 5358/I dated 21/7/1432H. In 1431H corresponding to 2010, the Company was approved to turn into a closed joint stock company.

GASCO owns 35% of the NGDC’s paid capital which is SR 25 million.

3. East Gas

East Gas is a limited liability company running its business under commercial register No. 2050048153 issued from Dammam in 10 May 2005. East Gas maintains and operates industrial establishments. It owns and operates a network for distributing dry gas in Dammam Second Industrial City. It purchases gas from ARAMCO and other suppliers under license No. 5/I/L of the Ministry of Petroleum and Mineral Resources dated 13 Sep 2005. East Gas has a wholesale trade in gas equipment and machinery. It concluded two agreements with ARAMCO for a period of twenty years according to which it shall regulate the supply of gas to the dry gas distribution network in Dammam Second Industrial City, operate and maintain Gas Transfer Counter Facility pursuant to the terms and conditions set out in the agreements.

GASCO owns 35% of the NGDC’s capital which is SR 40 million.

4. Industrial Gases Company (GAS):

The GAS is a limited liability company registered in Saudi Arabia under commercial register No. 2055001171 dated 24

Rejab 1403 corresponding to 7 May 1983. The company ran its commercial operation on 1 August 1985.

The main activity of the company is the production and distribution of industrial gas to several key industries.

GAS is a subsidiary of Saudi Basic Industries Corporation (SABIC), where it owns 70% of the Company capital of SR 284 million, while the GASCO owns 9%.

5. **Arabian United Float Glass Company (AUGFC)**

Arabian United Float Glass Company was recorded as a Saudi Joint Stock Company under the Ministerial Decree No. (157) dated 02/06/1427H corresponding to 28/06/2006 AD. The company was registered in Saudi Arabia under the commercial register No. 1010221369 issued from Riyadh on 20/06/1427H corresponding to 16/07/2006.

The company is engaged in the wholesale and retail of Company products. The company works in imports, exports, acquisition of buildings and real estates, construction of buildings to manufacture the float glass, research and production to meet the needs of the glass industry.

GASCO owns 11.27% of the Company capital of SR 263 million.

B. **Real Estate Investments:**

Real estate description	City	Space M²	Book value as at 31 December 2014
Building at King Fahd Road intersection, Musa Bin Naseer Street	Riyadh	14,912	25,164,160
Building at King Fahd Road intersection, Imam Turki bin Faisal Street	Riyadh	790	2,021,692
Building at Sulaymaniyah district of Abu Bakr Al Razi Street	Riyadh	6,750	3,510,001
Building at Al Muraba District	Riyadh	714	1,427,321
Building at Al Batha District	Riyadh	800	820,001
Building at Jeddah, 10 kilometers Mecca Road	Riyadh	3,760	900,000
Land at Dahi District - Buraidah	Riyadh	20,000	441,000
Land at Hail / Southern Daba	Hail	90,000	210,000
Total			34,494,175

GASCO has considered the fair value of the invested land through an independent authority for assessment and by following the recognized professional assessment methods taking similar real-estate transactions into account. The fair value of the lands is estimated at SR 399 million.

C- **Other Investments:**

Other investments of the Company focus on:

- Investment in monetary funds and Murabahas in long-term goods.
- Investment in the portfolios of the first subscription of shares. On 27/04/2014, the Company announced to the shareholders, through a trading site, that a portfolio managed by Saudi Fransi Capital under the agreement of managing the portfolio approved by the Capital Market Authority (CMA) numbered 4/3940 dated 23 April 2014 was launched with the aim of varying the Company investments and resources for contributing to the companies offered for only the public issue. This type of investment is addressed according to the investment standard of securities for trading registered in the financial standing based upon the fair value. Profits and loss which have not achieved are included within the income of the financial period. The financial impact will be reflected on the income statement as starting the investment at the end of each financial period.

Ordinary General Assembly of Shareholders:

The Ordinary General Assembly of Shareholders held only once in 2014 upon the board’s invitation and according to what was declared in a trading dated 20/02/2014 and 20/03/2014 as well as the national and formal newspaper.

- The first meeting was on 18 March 2014 – It was not held because of lack of quorum
- The second meeting was on 26 March 2014 – It was held in the main head office of the Company.

Agenda:

- 1- Audit of what came in the Board’s report on the Company activity in 2013.
- 2- Approval of the final accounts of the financial year 2013 and the auditor’s report.
- 3- Disclaim directors regarding 1/1/2013 to 31/12/2013.
- 4- Agreeing on the profits divided for the first half of 2013 (SR 56,250,000 which equals SR 0.75 i.e. 7.5 % of the capital) and profits of the third quarter of 2013 (SR 75,000,000 which equals SR 1.00 i.e. 10 % of the capital). Thus, profits divided for the financial year 2013 valued SR 1.75 for a share which represents 17.5 % of the Company capital which equals totally SR 131,250,000 for the financial year 2013.
- 5- Approval of the judgment of the Board of Directors about adopting a policy for distributing quarter profits as of the first quarter of the financial year 2014.
- 6- Agreeing on using the agreed reserve to fund the Company’s future projects valued SR 20,655,557.
- 7- Approval paying SR 1,483,332 as a reward to the Board of Directors for the year ended on 31/12/2013 in accordance with the approved adjustments of the Company.
- 8- Approval of appointing the auditor recommended by the revision committee for auditing the Company accounts of 2014 and the quarterly reports including the first quarter of 2015 or choosing another and defining his wages.

Outcomes of the Assembly:

The Ordinary General Assembly of National Gas and Industrialization Company held its meeting in the headquarters of the company in Riyadh on Wednesday 25/5/1435H corresponding to 26/3/2014 at 8:30 wherein it decided the following:

1. Approval of what came in the Board’s report about the Company activity during 2013.
2. Approval of the final accounts of the financial year 2013 as well as the auditor’s report.
3. Disclaim board of directors regarding the period as of 1/1/2013 to 31/12/2013.
4. Approval of allocation of profits for the first half of 2013 with SR 56,250,000 i.e. SR 0.75, 7.5% of the capital and profits of the third quarter of 2013 with SR 75,000,00 i.e. SR 1.00 for a share with 10 % of capital. Thus, total of dividends for the financial year 2013 is SR 1.75 for a share which represents 17.5 % of the Company capital i.e., SR 131,250,000 in 2013.
5. Agreeing on the Board’s judgment about adopting a policy for allocation of quarterly profits as of the first quarter of the financial year 2014. Dividends are entitled to the shareholders upon ending transactions on 31/3/2014 declared on 18/3/2014 according to the details below:
 - a. Total of the divided sum is SR 30 million.
 - b. Proportion of a share is SR 40 million.
 - c. Proportion of distribution from the nominal value of a share is 4%.
6. Agreeing on utilizing the accidental reserve of SR 20,655,557 for funding the futuristic projects of the company.

7. Approval of paying SR 1,483,332 as a reward for the directors for the financial year ended on 31/12/2013 in accordance with the approved standards of the Company.
8. Approval of appointing the auditor (Al Bassam Chartered Accountants & Consultants) for auditing the Company accounts for 2014 as well as the quarter reports including the first quarter of 2015.

Dividend Policy:

According to article 42 of the Company's Articles of Association, the Company profits are divided after deducting the general costs and the other expenses as follows:

1. 10% of the net profits is deducted for forming a statutory reserve; an ordinary general assembly may cease such a deduction should the reserve accounts for half of the capital.
2. A first payment from the remaining sum equals 5% from the paid capital is deducted for the shareholders.
3. After that, 10 % from the remaining sum is deducted as the directors' reward taking into account the instructions of the Ministry of Commerce in this connection.
4. A general meeting may decide to deduct (5%) from the remaining sum for forming an accidental reserve for addressing the urgent cases.
5. The sum remained from the net profits is divided then as it is suggested by the Board and agreed on by the general meeting.

In the meeting held on Saturday 18/01/2014, the Board of Directors recommended to adopt a dividend policy quarterly as of the first quarter of the financial year of 2014. The policy was presented to the general meeting held on 26/3/2014 and approved it. In doing so, the company underlines the importance of the shareholders, interests and insights taking into account the company futuristic interests and investments.

According to the above-mentioned, the Board of Directors approved the following distributions in 2014:

Quarter	Date of Declaration	Total divided sum (SR Million)	Dividend per share	Distribution rate of a share value	Date of entitlement	Date of distribution
First	18/3/2014	30	0.4	4%	31/3/2014	15/04/2014
Second	1/7/2014	30	0.4	4%	7/7/2014	15/7/2014
Third	16/09/2014	33.75	0.45	4.50%	20/9/2014	1/10/2014
Fourth	16/12/2014	41:25	0.55	5.50%	21/12/2014	28/12/2014

Accordingly, total of dividend for the financial year 2014 is SR 135,000,000 where a share of profit equals SR 1.80, 18% of the nominal value of shares.

Company Strategy:

Since its current cycle, the Board of Directors has sought to develop a strategic action plan setting a roadmap helping the Company develop its products and services, and enhancing the shareholders' returns and interests. At the beginning of 2014, the company signed a contract with a world professional office for setting a new strategy and long-term planning considering the future vision, integration of the institution perspectives and activities, link between the organization and its environment in the light of the internal and external changes and addressing strengths and shortcomings out of enhancing competency and operational efficiency.

For this purpose, the Board of Directors, in its meeting held on Monday evening 21/07/2014, decided to implement the

new strategy of the Company which includes conducting an inclusive audit of the Company's various activities, updating the organizational structure, as well as developing the operations and services presented to the various categories of the company so that all its efforts and activities focus on providing a better service according to the highest world standards of occupational safety standards.

The Company strategy will focus on two main sides; firstly, to focus on the client. Through it, the Company aims at meeting the clients' needs in Liquefied Petroleum Gas, in addition to varying the customers' base by providing more services to satisfy their various needs and expectations. The second side, however, is to expand activities in this field. This allows the company to provide integrated services to the clients of liquid petroleum gas and varying the activity by offering different power solutions.

These two sides will certainly foster the Company revenues through the current and new clients and providing integrated services for them. Subsequently, level of a service is improved fully through delivering the products on time, which will be achieved through continuously improving the efficiency of the Company transactions in accordance with the leading practices in this connection.

Gas Transmission:

Transmission Sector is the heart of the company. It provides the Company's stations with the liquidized Petrol Gas from the Saudi Aramco's gas sources. The Company has a fleet of the oilers working effectively for satisfying the increasingly needs of the Liquefied Petroleum Gas.

Although there is a substantial development in transportation, the company faces big challenges including setting the routes, preventing tankers from accessing the main towns as well as the high cost of transportation because of delivering of gas filling and making it available to the clients and citizens all over the Kingdom equally. This comes in response to our government's guidelines which is keen on the citizens' comfort, stability and safety. Accordingly, we had to develop strategies of transportations according to the principle of LEAN to minimize the loss, enhance the performance and utilize the available resources.

In principle, the project aims at defining places of loss in procedures and operations of managing transmission and making recommendations for preventing or limiting it.


The project finished in 2014. The study concluded some recommendations being applied currently at the Transmission sector.

Central Workshop of Gas Cylinders:

Furtherance to the company commitment to provide exemplary products and services reflecting its ongoing interest in the client's interests according to the highest world standards of quality, security and safety, the company established in the last years a central workshop responsible for maintenance and rehabilitation of the gas cylinders in its two categories (11 kg and 22 kg) according to the Saudi specifications and world standards of quality. Using world instruments, it conducts strict tests over all the cylinders returned by the clients for ensuring their safety in order to meet the client's needs. Accordingly, 1.4 million cylinders of the two categories were tested in the financial year 2014 i.e., 45 % increase comparing with the last year.

Industrial Security and Safety:

The company pays much care for the industrial security and safety. It is a vital sector which provides healthy and safe environment for the employees through studying all the risks which may result through the various stages of production. It also takes all the preventive safety and security arrangements which aim at avoiding dangerous events in the first place and mitigating their impact, if occurred, especially the employees who are the pivot of the industrial process. The industrial security subjects to supervision of High Commission for Industrial Security which develops the right policies and plans for protecting facilities in the fields of security, safety and protection against fire for keeping production on under all conditions.

The company follows the latest standards of professional safety, High Commission for Industrial Security and NFPA's standards regarding firefighting, and US Department of Justice's OSHA's  in terms of safety.



The company also is keen on training its employees in the field of security, firefighting and first aid. In addition, it holds training programs for the civil defense and Special Forces for Road Safety for knowing how to deal with the accidents of the oilers and how to follow the right safety procedures. Meanwhile, the company offers awareness programs to the consumers in safety perspectives followed as dealing with the Liquefied Petroleum Gas through participation in the security-and-safety symposiums and fairs. On the other hand, Industrial Security Department served in 2014 as the link with the major security governmental bodies and developing the unreal emergency plans at the various branches of the company. It is worth mentioning that building capacity in the Industrial Security Department went on in 2014. The company focused also on achieving the department's vision to ensure providing the ideal environment for the users and spare no effort towards excellence in the industrial security and safety.

In the light of the continuous cooperation between the General Department of Civil Defense and Gas Company, we participate annually in civil defense and awareness programs. We participated in the World Day of Civil Defense through attending the connecting exhibitions all over the Kingdom of Saudi Arabia.

Training courses:

- Training (90) drivers on how to deal with Carriage of Dangerous Goods by Road (ADR).
- Training (41) of the civil-defense personnel on how to deal with the Liquefied petroleum Gas.
- Training (105) personnel of the Special Forces on how to address accidents of oilers.
- Training (72) of Industrial Security personnel and branch employees on OSHA.

Labor Force and Saudization:

Creating jobs and developing Saudi nationals are GASCO priorities. In this connection, total of the average labor force in the Company's works was about 1833 employees including 1286 Saudis with nationalization percentage of 70%. In addition, all the executive and leading jobs are held by qualified Saudi nationals, thanks to Allah.

Investments for the Company's Employees:

Amount	Description
1,202,303	Balance on 1/1/2014
-	Added throughout the year
798,266	Excluded throughout the year
404,036	Balance on 31/12/2014

It is a murabaha transaction between the Company and employees. The Company buys cars and resells it to the employees through murabaha with percentage from 4% to 12.66% within 1-5 years. Then, it deducted from the employee on monthly installment basis.

Humanitarian Fund for solidarity with employees:

This program aims to help employees of holding jobs inferior to managers who or their families face some urgent problems and are in dire need of urgent financial help. This program depends upon the voluntary self-contributions of the group's employees at all the levels wishing to participate in this humanitarian work. These contributions, in addition to the deductions fund, are deducted monthly. Further, the fund supported all the cases in 2014 and fulfilled all the conditions.

Social Responsibility:

Furtherance to the company's commitment to serve and fulfill the society's needs, it has gone on providing the charitable organizations and awareness centers in some cities of the Kingdom during Ramadan with gas. It also has contributed to installing tanks for some of the non-profit organizations and authorities.

Training and Development:

Human Resources adopts a strategy based mainly upon the integrative planning in terms of the internal and external training and on-the-job training with the aim of developing and enriching human resources' culture, rooting culture of work and design of the administrative structures for ensuring efficiency of the administrative leadership at all levels of the Company's departments. About 450 trainees all over the Kingdom joined the training and development programs in 2014. Training plans included a number of programs such as the internal scholarships, English programs, safety, job replacement, professional technical training courses, administrative development as well as the programs of enhancing the administrative leaders of the company. University students Technological colleges and professional centers were also trained through the summer training program of the expecting graduate students. A number of students also had a train in the summer period in cooperation with HADAF not to mention on-the-job training or through an institute approved by Human Resources Fund. Programs presented included, but not limited to, the following:

Strategic Planning and Change Management Program:

This program was established to target the supreme department of the company according to the company action plan for developing and carrying out the futuristic strategy. A remarkable university majored in money and business in ME was contracted with the aim of achieving the program concerned with change management and strategic planning of organizations, its concepts and principles to improve effectiveness of the participants and the organization's productivity.

Program of overcoming pressure plan – and the 5 qualifications for solving problems:

This program is based on development of knowledge and behavioral skills suitable for all the levels starting from the middle and supreme departments taking various daily decisions.

Marketing skills:

Since marketing is central to any organization, the best trainers were contracted for enhancing the marketing skills, etiquettes of work in addition to offering the specialized programs for customer service and market's specialists.

International Certificate of Carriage of Dangerous Goods by Road – ADR:

This agreement is called the International Certificate of Carriage of Dangerous Goods by Road (ADR). It is an international agreement issued by the UN Economic Committee and authorized and developed by International Road Transport Union. 90 drivers were trained in this year.

In 2015, the Company aims at increasing training and development programs for the employees according to the training needs and what is suitable for the professional level and role.

Major projects

Modernization of production lines:

- Purpose of the project: increasing the production capacity of packing circles by changing the previously used system from mechanical system to an electronic system, as well as changing the use of horizontal valves to vertical valves to increase the production capacity of each circle.
- The project is implemented in all current branches of the Company: (Riyadh - Jeddah - Eastern Region- Southern Region - Medina - Taif - Qassim).

- 95% of the project has been completed.
- It is expected that the project is completed during the first quarter of 2016.
- Total cost of the project is SR 194.8 million

Earthing System & Lightning Rod Project

Purpose:

- Earthing: to ensure the best levels of safety against the faults of the electrical system to protect the workers, the building structure, the equipment and other connections from being connected to the electrical lines and the from the connection between the mineral equipment through providing a low resistant path to provide a voltage that is stable with the earthing during normal operation.
- Lightning Rod: it provides protection against damage from the effects arising out of lightning and crises such as fire, explosion and electrical shocks through controlling the shocks and transmitting this power to the earth and dispersing the power in the earthing system.
- The Project will be implemented in all branches of the Company, the departments of transport in Yanbu and Riyadh, and the central workshop in Riyadh.
- Total Cost: SR 9.8 million.
- Project initial delivery is expected before the end of the first quarter of 2015.

Gas Tankers

Purpose: The projects aim to increase the size of the carrier fleet as per the highest national and international standards to provide gas stock in all branches of the Company and meet the needs of the clients and customers.

The projects are as follows:

- 1- Manufacture 80 gas tankers, of which 48 are delivered and the remaining ones are on their way for delivery.
- 2- Manufacture 50 tankers. This project is expected to be completed at the end of the second quarter of 2015.
- 3- Supply 100 Mercedes trucks. This project is expected to be completed at the end of the second quarter of 2015.

- Total Cost of manufacturing and supply projects is SR 84 million.

Customer Relationship Center

One of the objectives pursued by the Company management is to employ all available physical, technical, administrative and human resources to serve existing customers and gain new customers through establishment and development of customer relationship center to receive communications from all over the Kingdom, respond to inquiries and accept proposals that would develop the work and customer service as partners of success and progress.

Since the launch of the Customer Relationship Center in 2013, the Company endeavors to develop and improve the quality of services provided to the customers via offering development and orientation programs for the employees working in the CRC. Follow-up and evaluation are continuous to ensure quality services are provided to the customers in compliance with the Company vision and mission.

The CRC offers a 24/7 service. In addition, the Company launched the Customer Relationship Account in the social media channels in order to keep in touch with the customers to meets their needs and reply to their inquiries. It also improved the set of systems related to the customers, in top of which are the customer relationship system, the automatic answering. The aim is to facilitate to the customers the fulfillment of services automatically. Currently, the Company applies automatic scheduling. This allows the customer to save effort and time and provides the opportunity to serve the biggest number of customers all over the KSA.

At the level of the company interest in all community segments and the comprehensiveness of its mission provided to its customers, the Company has established a center for women connection by the end of 2014 to create added value in the field of customer service. More recently, the company has established a quality section to assess level of the company services based on customer feedback and satisfaction with the services provided to them in addition to recording and following up complaints and suggestions and work to correct and deal with them.

As part of the new strategy, the Company seeks to develop its services throughout the KSA and upgrade the methods of managing the customer relations with the aim to regulate its business and improve the customer service. This will be achieved through developing new plans to implement the most advanced technical systems and automatic machinery at the business level. This is to have the business operations be automatically steered, achieve integration among the functions of the Company, raise quality, improve the quality of customer service and provide an integrated infrastructure of systems and information to promote future growth and business plans.

Mechanisms of Corporate Governance & Transparency

Making use of the Company’ desire to promote its relationship with its shareholders, investors and clients, and believing in the principle of disclosure, transparency and the importance of information to the investors, the Company provides to its investors – besides the disclosure of performance, financial results and previous administrative business - the following information:

A. Shareholders’ Equity

The Company give special importance to the shareholders’ equity by including it in the Company Articles of Association and the Governance Guide which it developed. These documents set out the shareholders’ equity which is laid down in the laws and regulations. These can be accessed via the Company website:. The Company is also committed to publishing the financial and non-financial reports, statements and major information via The Capital Market Authority website, newspapers and the Company quarterly newspaper. The Company also has the Compliance & Governance Department to follow the same matters.

B. Capital & Free Shares as at 1 Jan 2015

Stated capital (SR)	750,000,000
Number of issued shares (All company ordinary shares)	75,000,000
Float Shares according to the trading register of	50,541,564
Paid capital (SR)	750,000,000
Nominal value of share	10
Paid value of share	10

Note: the number of free shares changes from time to time commensurate with the circulation of the Company shares in terms of sale and purchase in the stock market.

C. List of Main Owners

It is a statement of the names and ownership percentages of the main shareholders who own 5% or more as at 31 December 2014

Name	Share
Saeed Ali Ghadran Al Ghamdi	11.90%
Public Investment Fund	10.90%
General Organization for Social Insurance	6.10%

Note: with respect to the notices of change in the shareholders’ ownership percentages with increase or decrease, referred to in Article 45 of the Registration Rules, the Company would like to affirm that it has not received any notices of change from the main owners that they change their ownership by less or more than 5% be the end of 2014, and that it has relied in the data above on the CMA

D. Disclosures Related to Board Directors & Top Executives

The Board of Directors of the Company is considered the top managerial body which is responsible before the Shareholder General Assembly for the Company management according to the Law and the Company Articles of Association. The most prominent Board tasks are the drawing and approval of the Company strategic trends and main goals, the setting and follow up of the internal supervision, the management of risks to ensure their efficiency and effectiveness, the approval of the main budgets and financial policies, the follow-up and monitoring of the Company performance and activities of the administrative administration, the development of policies which regulate the relationship with the stakeholders and protect their rights. The Board also develops and approves the policies which ensure the application and implementation of the official rules and regulations, and the commitment of disclosing the significant information about the Company and its performance. This helps the Company shareholders and investors evaluate the Company assets and liabilities. There are other tasks detailed in the Company Articles of Association, the general framework of governance, the emerging committees, policies and undertakings.

D-1) Board Composition, Classification of Its Members & Joint Stock Companies Still Members

Article 17 of GASCO Articles of Association set the number of board members at ten. This is in line with paragraph “a” of Article 12 of the Corporate Governance Regulations issued by CMA in its Decision No. 1-212-2006 dated 21/10/1427 corresponding to 12/11/2006 concerning the number of the board directors, which shall be not less than 3 with 11 at maximum. In the financial year of 2013, a new Board of Directors was elected for the round which started on 8 Nov 2013 and lasts for 3 years. The following table indicates a list of the Company Board of Directors and their membership in other joint stock companies.

#	Member’s name	Membership classification	Joint ventures
1	Salman bin Mohammed Hassan Al-Jishi – Chairman	Executive	Saudi Gas Cylinder Factory – Al Khobar Project Development Company - Al Raja Advanced Investment Group
2	Raed Abdullah Al-Hugail – Vice chairman	Non-executive	Arabian United Float Glass Company - Natural Gas Distribution Company of Riyadh - National Trigeneration CHP Company - Gulf One Capital
3	Ali bin Mohammed Al-Saflan	Non-executive	Natural Gas Distribution Company of Riyadh - Sarawat Printing and Publishing Group
4	Ghadran Saeed Ghadran	Independent	-
5	Mohammed bin Ibrahim Al-Shabnan	Non-executive	-
6	Abdulaziz bin Omair Al-Omair – Representative of Public Investment Find	Non-executive	-
7	Sattam bin Amer Al-Harbi – Representative of General Organization for Social Insurance	Non-executive	Yamamah Cement
8	Ibrahim bin Fahd Al-Moaiqel – Representative of Human Resources Development Fund	Independent	Takamol Business Services Holding Co - Tamkeen Technologies - Saudi Standards, Metrology and Quality Organization - Colleges of Excellence
9	Mohammed bin Hamad Al-Kathiri – Representative of Saudi Credit & Saving Bank	Independent	-
10	Mohammed bin Ali Ikhwan	Independent	Fitaihi Holding Group - Gulf General Cooperative Insurance - Red Sea Housing Services Company

- On 6 January 2015, the Company announced that the Board member Mr. Mohammed bin Ibrahim Al Shabnan resigned on 5 Jan 2015 for personal reasons. The Board accepted the resignation as at the date of being submitted and it shall take effect as of 6 January 2015.
- On 18 December 2014, pursuant to the Decision of the Board which met on 15 December 2014, the Company confirmed the expiry of Mr. Salman bin Mohammed Hassan Al-Jishi’s assignment as a Managing Director and the appointment of a new CEO as of 1 February 2015.
- On 22 July 2014, pursuant to the Decision of the Board which met on Monday 21 July 2014, the Company confirmed the appointment of Mr. Salman bin Mohammed Hassan Al-Jishi as a Managing Director beside being the Chairman until a new CEO is appointed.

Accordingly, the Company confirms that dual job holding – Chairman and Managing Director – was meant to steer the Company business temporarily until a new CEO is appointed according to Article 22 of the Company Articles of Association which permits dual job holding. However, paragraph «d» of Article 12 of the Corporate Governance Regulations prohibits dual job holding of the Chairman and any other administrative position such as the Managing Director, the CEO or the General Director.

D-2) Board of Directors Meeting Minutes

Supporting its role, the Board of Directors held 12 meetings in 2014.

The table below shows the attendance of the directors in the Board meetings in 2014.

Member's name	18 Jan	25 Feb	17 March	5 May	8 June	30 June	21 July	30 Aug	15 Sep	27 Oct	25 Nov	15 Dec
Salman bin Mohammed Hassan Al-Jishi (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Raed Abdullah Al-Hugail (Vice-Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ghadran Saeed Ghadran	✓	×	×	✓	×	×	×	×	✓	×	✓	✓
Ali bin Mohammed Al-Saflan	✓	✓	✓	✓	✓	×	✓	×	✓	✓	✓	✓
Mohammed bin Ibrahim Al-Shabnan	✓	✓	✓	✓	×	✓	✓	✓	✓	×	×	✓
Sattam bin Amer Al-Harbi Representative of General Organization for Social Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓
Abdulaziz bin Omair Al-Omair Representative of Public Investment Find	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓
Ibrahim bin Fahd Al-Moaiqel Representative of Human Resources Development Fund	✓	×	✓	✓	×	✓	✓	✓	×	✓	×	✓
Mohammed Hamad Al-Kathiri Representative of Saudi Credit & Saving Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Mohammed Hassan Ikhwan	✓	✓	✓	✓	✓	✓	×	✓	×	✓	✓	✓

D-3) Executive Team

The Executive Team leads the General Director to execute the strategies and plans approved by the Board of Directors. It also follows up the Company operations and the achievement of the drawn performance indicators.

Name	Position
Abdurrahman Ibrahim Al Jalal	Deputy CEO for Financial Affairs
Khaled Mohammed Al Ma'ayouf	Deputy General Director for Transport Affairs

- On 18 December 2014, the Company announced the appointment of Mr. lyad bin Sameer Al Hajery as a CEO and the expiry of Mr. Salman bin Mohammed Hassan Al-Jishi's assignment as a managing director as of 1 Feb 2015.
- Mr. Abdullah bin Ali Al Homaid, the Deputy General Director of Operations resigned on 30 Sep 2014.
- Mr. Abdullah bin Ali Al Homaid's appointment as the Deputy General Director of Operations was terminated as of 21 July 2014. Chairman Mr. Salman bin Mohammed Hassan Al-Jishi was appointed as a Managing Director until a CEO is appointed.
- On 1 June 2014, Mr. Abdurrahman Al Jalal was appointed as Deputy CEO of Financial Affairs and the appointment of Mr. Abdul Aziz Al Wahbi as Assistant General Director for Management and Human Resources and Moussa Al Moussa as Assistant General Director of Financial Affairs was terminated.

D-4) Remuneration of Board Directors and Top Executives

The Company pays remunerations, expenses and attendance allowances to the Board Directors and members of the subsidiary councils and the committees formed by the Board pursuant to the rules of the Ministry of Commerce and Industry and the Company Articles of Association. The Company also pays salaries, remunerations and compensations to the top executives as per the employment contracts concluded with them. Below are the details of the salaries, remunerations and compensations paid to the Board Directors and the top executives including the General Director and the Financial Director in 2014:

D-4-1) Remunerations of the Board Directors in 2014:

Description	Executive members	Non-executive members	Independent members	Total
Remunerations for membership of the board for profits of 2014	200,000	883,333	566,667	1,650,000
Annual Remunerations	500,000	-	-	500,000
Allowances & Compensations	233,030	414,378	258,400	905,808
Total	933,030	1,297,711	825,067	3,055,808

D-4-2) Remunerations and Allowances of the Top Executives in 2014:

Details of the remunerations paid to the top executives:

Salaries & Allowances	2,284,188
Periodic and Annual Remunerations	-
Total	2,284,188

E. Board of Directors’ Committees

The Company has 4 subcommittees formed by the Board of Directors. These are: the Audit Committee, the Executive Committee, the Investment Committee and the Remuneration & Appointment Committee. The members of these committees are from the Board Directors. They have a charter of work approved by the Board which sets out their powers and work procedures.

E-1) Audit Committee

- The Audit Committee consists of 4 non-executive members of which 2 are from the Board Directors and the other 2 members are from outside the Board, one of them must be specialized in financial affairs and accounting.
- In 2014, the Committee held 12 meetings. It plays a major and important role in helping the Board carry out its regulatory duties. In 2014, it supervised and coordinated the Company internal and external audits in order to verify the efficiency of the systems and procedures of internal monitoring.

Members of the Audit Committee, Minutes of Meetings and Summary of Important Tasks:

The Audit Committee is appointed by the Board of Directors. Mainly, it supervises the accounting and financial reports, ensure compliance with the Company legal and regulatory requirements, revise the Company accounting policies, express opinions, submit recommendations to the Board of Directors and supervise the activities of internal audit and the chartered accountant.

Members of the Audit committee for the period from 05/05/2014 up to date, where 9 meetings were held:

#	Member’s name	Position	Times of attendance
1	Fahd Mohammed Al Fawaz	Member from outside the Board of Directors – Committee chairman	9
2	Sattam bin Amer Al-Harbi	Board of Directors’ member - Committee vice chairman	5
3	Mohammed Saeed Al Shammasy	Member from outside the Board of Directors – Committee member	8
4	Ali bin Mohammed Al-Saflan	Board of Directors’ member - Committee member	3
5	Mohammed Ali Ikhwan	Board of Directors’ member - Committee member	1

- On 15 September 2014, the Board member Mr. Mohammed Ikhwan apologized for not continuing to join the Committee for personal reasons. Mr. Sattam Al Harbi and Mr. Ali Al Saflan were appointed as members of the Committee.
- On 5 May 2014, the Audit Committee was reformed as Mr. Sattam Al Harbi and Mr. Ghadran Al Ghamdi apologized for not continuing to join the Committee for personal reasons. Mr. Fahd Al Fawaz and Mr. Mohammed Al Shammasy were appointed as non-board members in addition to the Board member Mr. Mohammed Ikhwan as a member from the previous committee.

Members of the Audit committee for the period from 08/11/2013 to 05/05/2014, where 3 meetings were held:

#	Member’s name	Position	Times of attendance
1	Sattam Al-Harbi	Board of directors’ member - committee chairman	3
2	Mohammed Ali Ikhwan	Board of directors’ member - Committee member	3
3	Ghadran Saeed Al Ghamdi	Board of directors’ member - Committee member	-

Activities of the External and Internal Audit:

- The Internal Audit Committee advised the Board of Directors to appoint a chartered accountant to audit the Company accounts for the financial year of 2015 and the quarterly reports including the first quarter of 2016 or other quarter. The remuneration of such accountant is to be determined and submitted to the Shareholders General Assembly in its annual meeting to be held in March 2015.
- The Committee audited the 2014 quarterly and closing accounts, checked the correctness of the financial statements and their fulfillment of the requirements according to the widely acknowledged accounting standards and filed its recommendations in this regard to the Board of Directors.
- The Internal Audit Committee examines the Company internal monitoring systems and their efficiency through the reports submitted to the Committee by the Internal Auditor. In light of what has been studied, the results of examining the internal oversight system of the main sectors showed that there are no major deficiencies in the internal oversight systems, which deserve disclosure. In addition, there some aspects which required more development to ensure more efficiency. The Committee has taken the necessary actions in this regard.

E-2) Remuneration & Appointment Committee:

- The Remuneration & Appointment Committee consists of 4 members of which two are non-executive and two are independent.
- In 2014, the Committee held 4 meetings during which it audited the fulfillment of its tasks.

Members of the Remuneration & Appointment Committee, Minutes of Meetings and Summary of Important Tasks:

The Remuneration & Appointment Committee is appointed by the Board of Directors. Mainly, it submits the recommendations related to those nominated to the membership of the Board of Directors, develops a clear policy of the remunerations and allowances of the Board Directors in compliance with the Company Articles of Association, develops an annual detailed report on the remunerations and allowances paid to the top executives, advises the Board with respect to the policies and plans that regulate the Company allowance programs and identifies the Board’s strengths and weaknesses and submits recommendations concerning the addressing of such weaknesses commensurate with the Company interests.

#	Member's name	Position	Times of attendance
1	Ali bin Mohammed Al-Saflan	Board of Directors' member - committee chairman	4
2	Mohammed Ali Ikhwan	Board of Directors' member - Committee member	2
3	Ibrahim Fahd Al-Moiqel	Board of Directors' member - Committee member	4
4	Mohammed Ibrahim Al-Shabnan	Board of Directors' member - Committee member	4

E-3 Executive Committee:

- The Executive Committee consists of 5 members from the Board of Directors, from among them are the Chairman and his/her deputy.
- In 2014, the Committee held 4 meetings during which it audited the fulfillment of its tasks.

Members of the Executive Committee, Minutes of Meetings and Summary of Important Tasks:

The Executive Committee is appointed by the Board of Directors. It assists the Board in supervising the Company Executive Management, regularly audits and oversees the Company business, and develops the necessary recommendations for the Board. It also examines the estimative budget, carries out the activities assigned to it by the Board, follows up the strategic purchase plans, audit the Company approved capital expenses and examines the rules and amendments proposed to be introduced to the Company regulations. The Committee submits its business record to the Board of Directors.

Member of Executive Committee:

#	Member's name	Position	Times of attendance
1	Salman Mohammed Hassan Al-Jishi	Board of Directors' member - committee chairman	5
2	Raed Abdullah Al-Hugail	Board of Directors' vice chairman- Committee member	5
3	Abdulaziz Omair Al-Omair	Board of Directors' member - Committee member	3
4	Mohammed Hamad Al-Kathiri	Board of Directors' member - Committee member	5
5	Ibrahim Fahd Al-Moiqel	Board of Directors' member - committee chairman	3

E-4 Investment Committee:

- The Investment Committee consists of 4 members from the Board of Directors.
- In 2014, the Committee held 3 meetings during which it audited the fulfillment of its tasks.

Members of the Investment Committee, Minutes of Meetings and Summary of Important Tasks:

The Investment Committee is appointed by the Board of Directors. It develops the investments policies, follows up their implementation, submits the same to Board for audit and approval before implementation, identifies the Board's strengths and weaknesses and submits recommendations concerning the addressing of such weaknesses. It also evaluates and audits the Company portfolio, evaluates and follows up the limits of investment risks. The Committee submits its business record to the Board of Directors.

#	Member's name	Position	Times of attendance
1	Sattam Al-Harbi	Board of Directors' member - committee chairman	3
2	Abdulaziz Omair Al-Omair	Board of Directors' member - Committee member	3
3	Ghadran Saeed Ghadran	Board of Directors' member - Committee member	-
4	Raed Abdullah Al-Hugail	Board of Directors' vice chairman- Committee member	1

- The Board Director Mr. Raed Abdullah Al-Hugail was appointed a member of the Investment Committee as of 15 December 2014.

F. Statement showing number of shares owned by the senior executive office of the company and their changes during 2014; and description of any interest gained by members of Board of Directors, their spouses and minor children in the shares and debt instruments of the company or its affiliates.

#	Related party name	Beginning of the year			End of the year			Net change		% Change		Ownership of relatives (spouse, minor children) and its change
		No. of share		debt instruments	No. of share		debt instruments					
		Direct	Indirect		Direct	Indirect		Direct	Indirect	Direct	Indirect	
1	Salman Mohammed Hassan Al-Jishi – Chairman	1,045	-	-	308,253	5,000	-	307,208	5,000	294%	100%	×
2	Raed Abdullah Al-Hugail – Vice-Chairman	1,000		-	1,000		-	-		0%		×
3	Ali Mohammed Al-Safla	1,000		-	1,000		-	-		0%		×
4	Ghadran Saeed Ali Ghadran	1,000		-	1,000		-	-		0%		×
5	Mohammed Ibrahim Al -Shabnan	1,000		-	1,000		-	-		0%		×
6	Human Resource Development Fund	2,500,000		-	2,500,000		-	-		0%		×
	Ibrahim Fahad Al-Moaikel	-		-	-		-	-		0%		×
7	General Organization for Social Insurance	4,603,500		-	4,603,500		-	-		0%		×
	Sattam bin Amer Al-Harbi – Representative of General Organization for Social Insurance	-		-	-		-	-		0%		×
8	of Public Investment Find	8,186,455		-	8,186,455		-	-		0%		×
	Abdulaziz Omair Al-Omair	-		-	-		-	-		0%		×
9	Saudi Credit & Saving Bank	2,650,000			2,650,000		-	-		0%		×
	Mohammed Hamad Al-Kathiri – Representative of Saudi Credit & Saving Bank	1,000		-	1,000		-	-		100%		×
10	Mohammed Ali Ikhwan	1,000		-	5,000		-	4,000		4%		×

Statement showing number of shares owned by the senior executive office of the Company and their changes during 2014:

#	Related party name	Beginning of the year		End of the year		Net change	% change	Ownership of relatives (spouse, minor children) and its change
		No. Of shares	Debt instruments	No. Of shares	Debt instru-ments			
1	Abdurrahman Ibrahim Al Jalal	-	-	-	-	-	-	-
2	Abdullah bin Ali Al Homaid	-	-	Resigned in 30 September 2014				
3	Khaled Mohammed Al Ma'ayouf	-	-	-	-	-	-	-
4	Abdulaziz Saleh Al Wahaibi	-	-	Commissioning was ended on 1 June 2014				
5	Musa Abdullah Al -Mousa	-	-	Commissioning was ended on 1 June 2014				

F. Dealings with Related Parties

During the year, the Company did not conclude any contracts which contain private interests for any member of the Board of Directors, the General Director, the Financial Manager or any person having relation with any of them.

G. Board’s Acknowledgements according to the Rules of the Capital Market Authority and the Results of Applying the Governance Regulations of 2014

The Board would like to note that the Company disclosed in this report the requirements of the Corporate Governance Regulations it complies with and which it applied. However, there are some items which do not apply and there also other items which the Company did not apply in 2014. In light of the principle of complying with governance requirements, following are the acknowledgements required according to the Registration and Listing Rules and the Corporate Governance Regulations.

G-1) Board of Directors’ Acknowledgements

The Board acknowledges that:

- 1. The records of accounts are correctly developed.
- 2. The internal oversight system has been soundly established and efficiently implemented.
- 3. There is no doubt that the Company is able to continue its business.
- 4. There are no differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants. There are no significant notes from the Chartered Accountant concerning the Company 2014 financial statements. In his report on the 2014 audited annual financial statements, the Auditor said: (without reservation in our report, we would like to refer to Note (29) concerning the accident of the gas tanker as per the data and facts as at 31 December 2014, the Company is of the opinion that it will not bear any responsibility for the accident. In this respect, the Company assigned a specialized law firm to evaluate the standing with respect to the accident in legal terms. The firm affirmed that the Company position is strong and it has a considerable opportunity in dismissing the possible actions which may be filed against it in the future by any prejudiced party. It is worth mentioning that the Committee composed from the Riyadh Region which is authorized to identify the parties responsible for the accident has not yet finished its works up to date.
- 5. The Board provides the Capital Market Authority with any additional information it requests at any time in case the Auditor demonstrates any reservations concerning the annual financial statements.

6. The Board shall acknowledge that it did not advise in 2014 for the replacement of the chartered accountant as Al-Bassam Law firm remained the external auditor of the Company. Recommendation will be made to appoint the chartered accountant to audit the Company accounts for the financial year of 2015, the quarterly reports including the first quarter of 2016 as advised by the Audit Committee in accordance with the rules of the Ministry of Commerce and Industry.
7. The Company has not received any notices of any interests in voting shares from any person (except the Company Board Directors) to advise it of these shares according to Article 45 of the Listing Rules of the Capital Market Authority (CMA).
8. No one of the GASCO Board Directors has a share in the capital of GASCO's associate or affiliate companies. The Company did not carried out any works or make any contracts bearing substantial interests to the Board Directors and the Top Executives including the General Director, the Finance Manager or any other relevant person.
9. The Company did not provide any cash loan to any of the Board Directors and did not guarantee any loan made by any of them with a third party.
10. The Company does not currently apply the share options schemes.
11. The Company does not have debt instruments that are transferable into shares.
12. No agreement or assignment was concluded with any of the Company shareholders, executives, employees or associate or affiliate companies under which such a person assigned his/her right to profits, salaries, remunerations or any other substantial interest.
13. The Company does not have preferred shares or voting shares – whether for the shareholders, the Board Directors or the employees. All Company shares are ordinary of equal nominal value and of equal voting rights in addition to other rights according to the rules.
14. The Company pays Zakat according to the rules of the Saudi Department of Zakat & Income. It registers the annual due Zakat allocations and records them in the income statement. The amendments that may occur at the final estimation of Zakat, if any, are recorded in the period during which the estimation is made. The Company received the Zakat obligations for 2005, 2006 and 2007 which demonstrated a difference of SR 59,718,157 in favor of the Department of Zakat & Income. The Company objected to these obligations and submitted the documents proving the objection. The Department of Zakat & Income amended the obligations and recounted the same. The resulting difference has become SR 38,851,175 as per the letter of the DZI sent on 4/12/1434 H, corresponding to 9 Oct 2013. Accordingly, the allocations for the claims were supported by SR 30 million. The financial impacts of this were obvious in the results of previous year 2013; this promotes the Company ability to meet its future obligations in full. The Board decided to continue to object to the Zakat obligations before the competent committee according to the rules issued in this regard. The case is still examined before the primary committee until the date of developing this report.
15. The Company does not have any debt instruments that are transferable into shares, share options, subscription right warrants or similar rights issued by the Company in the financial Year 2014. There are no compensations received by the Company against this.
16. There is no recovery, purchase or cancellation by the Company of any debt instruments that are transferable into shares.
17. There are not loans by the Company in 2014.
18. In 2014, the Company received two breaches from the Capital Market Authority . On 18 June 2014, the Board of the Capital Market Authority passed a decision imposing a penalty of 30,000 (only thirty thousand Saudi riyals) on the Company for breaching paragraph «b» of Article 40 of the Registration and Listing Rules as the Company was late in making public in the appointed time the Board's decision dated 18 Jan 2014 concerning supporting the allocations for the claims by SR 30 million. The Company only announced this at 10:45 dated 19 Jan 2014. The Board of the Capital Market Authority passed another decision imposing a penalty of 20,000 (only twenty thousand Saudi riyals) on the Company for breaching paragraph «9» of the instructions concerning the publications of the joint stock companies which shares are enlisted in the Capital Market Authority as the Company did not mention the note set out in the external auditor's report in the annual financial results for the period ending on 31 December 2013.
19. The Company received the decision of the Council of Ministers' Approval No. 182 dated 05/07/1434 H, corresponding to 15 May 2013. According to the said decision, the Company shall continue to distribute and market gas and its derivatives in the KSA for a period of five years commencing from 14/05/1434 H, corresponding to 26 March 2013. The

Company Management achieved good steps in qualifying the Company for competition through developing the different equipment and materials of the Company, most importantly the development of the filling units from the manual to the automatic usage. This is expected to raise the quality and efficiency of the filling by introducing the electronic techniques in the production, follow-up and reports; a matter which would reduce the filling costs and increase the production power. The Company also has taken significant steps towards increasing the «operational» stockpile of gas to avoid the periodic or sudden breakdowns. It currently applies specific mechanisms of expansion to cover some consumption areas in the KSA according to the directives of the government. This will promote the Company position of supply to all KSA regions.

20. With respect to the risks arising out of the explosion of the gas leaked from the GASCO's tanker No. 845 on Thursday morning 16/12/1433 H, corresponding to 1 Nov 2012 as a result of a traffic accident, the Company is of the opinion that as per the data and facts as at 1 Nov 2012 it will not bear any responsibility for the accident. Until now, the Company has not taken any action in this respect. The law firm, assigned by the Company to provide legal assistance, affirmed that the Company position is strong and it has a considerable opportunity in dismissing the possible actions which may be filed against it in the future by any prejudiced party. It is worth mentioning that the Committee composed from the Riyadh Region which is authorized to identify the parties responsible for the accident has not yet finished its works up to date.

G-2) Partially applied and non-applied articles of the Corporate Governance Regulations issued by the Capital Market Authority

The Board acknowledges that the Company applied, in 2014, all articles of the Corporate Governance Regulations issued by The Capital Market Authority with the exception of clause b/6 of Article 6 which sets out the method of the cumulative voting. It is not applied by the Company for the reasons mentioned in the table of the results of the annual comparison which demonstrates the Company compliance with the Corporate Governance Regulations issued by the Saudi Capital Market Authority in 2014.

#	Comparison No. according to corporate governance list	No. of Items	Completely applied items	Partially applied items	Non applicable items	No. of items are not applied	Reason for not being applied or partial application
1	Third: Shareholders' equity	1	1				
2	Fourth: Facilitating the exercise of shareholders' equity and access to information	2	2				
3	Fifth: Equity related to General Assembly meetings	10	10				
4	Sixth: Voting Rights	5	4		1 item 6/B		For item 6 / B, Company did not apply the voting system as a mechanism for electing Board of Directors' members and the Board of Directors intends to apply it after mandatory cumulative voting decision or vote by the General Assembly
5	Seventh: Equity in dividends	2	2				
6	Eighth: Policies and procedures related to disclosure	1	1				
7	Ninth: Disclosure in Directors' Report	7	7				
8	Tenth: Basic functions of the Board of Directors	17	17				
9	Eleventh: Responsibilities of the Board	8	8				
10	Twelfth: Board Committees	9	9				
11	Thirteen: Board Committees and their independence	3	3				
12	Fourteen: Audit Committee	11	11				
13	Fifteen: Nomination and Remuneration Committee	8	8				
14	Sixteen: Board of Directors Meetings and Agenda	4	4				
15	Seventeen: Board of Directors' remuneration and compensation	1	1				
16	Eighteen: conflict of interest in the Board of Directors	3	3				
Total Items		91	90		1		
Percentage		100%	98.90%		1.10%		

National Gas and Industrialization Co. (GASCO)

(Saudi Joint Stock Company)

Financial Statements
For the year ended 31 December 2014
With the Auditor's report

Auditor's Report

To Shareholder
National Gas and Industrialization Co. (GASCO)
Riyadh, Kingdom of Saudi Arabia

Audit Scope:
We have audited the accompanying statement of financial position of National Gas and Manufacturing (Saudi Joint Stock Company) as at 31 December 2014 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes which form an integral part of these financial statements prepared by the Company in accordance with Article (123) of the Companies Law and provided to us with all the information and explanations we required. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion:
In our opinion, the financial statements referred to above:

1. Present fairly, in all material respects, the financial position of National Gas and Manufacturing as at 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Kingdom of Saudi Arabia.
2. Comply with the requirements of the Companies law and the company's articles of associations with respect to the preparation and presentation of financial statements.

Auditor’s Report (Continued)

To Shareholder
National Gas and Industrialization Co. (GASCO)
Riyadh, Kingdom of Saudi Arabia

Attention:

Without reservation in our report, we draw attention to Note (29) with respect to the gas tanker incident. According to the provided data as at 31 December 2014, the company’s management is of opinion that they are not responsible for the incident. In this regard, the company’s management contracted with a specialized law firm to provide legal advice to assess the situation regarding the incident. The law firm stated that the legal position of the company in respect of the gas tanker incident is strong and the company has also a strong chance to reply to the potential lawsuits that may be filed against the company in the future by any party affected by the incident. It is worth noting that the committee formed by Emirate Of Riyadh Province to identify the parties responsible for the incident did not complete its work up to date.

PKF Al Bassam & Al Nemer

Allied Accountants

P.O. Box 28355

Riyadh 11437

Kingdom of Saudi Arabia

Abdul Mohsen Munir Al Nemer

License No. 339

Riyadh, -- Rabi’ Al Awwal 1436

Corresponding to -- January 2015

	Note	31 December 2014	31 December 2013
Assets			
Current assets			
Cash and balances with banks	4	48,076,295	24,475,822
Net – accounts receivable	5	39,013,837	26,133,042
Inventory	6	104,153,428	155,506,782
Prepayments and other accounts receivable	7	71,693,561	56,228,693
Total current assets		262,937,121	262,344,339
Non-current assets			
Available for sale investments	8	303,784,516	280,674,228
Investments in associates	9	62,468,296	62,830,008
Real estate investments	10	34,494,175	34,494,175
Net non-current assets	11	573,481,177	622,339,858
Projects under construction	12	117,097,875	94,118,787
Deferred revenue expenses	13	-	73,039
Total assets		1,354,263,160	1,356,874,434
Liabilities and equity			
Current liabilities			
Accounts payables	14	76,054,003	85,022,702
Accrued expenses and other accounts payable	15	43,450,854	44,753,893
Provision for Zakat	16	9,011,604	7,568,717
Other provisions		53,647,653	56,756,261
Total current liabilities		182,164,114	194,101,573
Non-current liabilities			
Provisions for End of Service Benefits		157,424,697	164,789,755
Total liabilities		339,588,811	358,891,328
Shareholders’ equity			
Capital		750,000,000	750,000,000
Statutory reserve	17	241,828,424	226,602,394
Agreed upon reserve	18	20,655,557	20,655,557
Retained earnings		1,109,429	725,155
Unrealized profits from available for sale investments		1,080,939	-
Net shareholders’ equity		1,014,674,349	997,983,106
Total liabilities and equity		1,354,263,160	1,356,874,434

	Note	For the year ended 31 December 2013	For the year ended 31 December 2013
Revenues	19	1,798,160,100	1,787,782,247
Cost of Revenue	20	(1,611,139,410)	(1,606,021,333)
Total Income		187,020,690	181,760,914
General and administrative expenses	21	(52,721,283)	(87,407,056)
Income for the year from main activities		134,299,407	94,353,858
Other expenditure	22	(9,516,775)	(14,181,079)
Profits from investments in associates	23	4,844,266	7,143,737
Profits / (Losses) from Murabaha Investments and available for sale investments	24	12,583,440	7,541,757
Other revenues	25	16,598,167	25,402,378
Net year revenue before zakat		158,808,505	120,260,651
Zakat		(6,548,204)	(6,323,054)
Net income for the year		152,260,301	113,937,597
Earnings per ordinary share out of main operations income for the year	27	1.78	1.26
Earnings per ordinary share out of net income for the year	27	2.03	1.51

	For the year ended 31 December 2014	For the year ended 31 December 2013
Cash flow from operating activities		
Net income for the period before Zakat	158,808,505	120,260,651
Amendment to settle the net income		
Depression and amortization	82,797,856	76,959,944
Accumulated provisions during the period	19,253,482	58,425,648
Profits from selling assets	(536,087)	(8,070,142)
Changes in operating assets and liabilities		
Accounts receivable	(12,880,795)	5,147,426
Inventory	51,353,354	(2,227,970)
Prepayments and other accounts receivable	(15,464,868)	(28,352,849)
Accounts payable	(8,968,699)	(48,734,673)
Accrued expenses and other accounts payables	(1,303,039)	5720416
Amount paid for end of service benefits	26,618,53	(55,910,519)
Amounts paid for Zakat and income	(5,105,317)	(5,062,000)
Amounts paid for other provisions	(3,108,607)	(100,000)
Net cash from operating activities	238,227,248	118 055 932
Cash flow from investing activities		
Available for sale investments	(22,029,353)	213 718 788
Investments in associates	361,712	3087932
Purchase and disposal of non-current assets	(33,330,046)	(185 730 376)
projects under construction	(22,979,088)	71,178,106
Net cash (used in) / from investing activities	(77,976,775)	102 254 450
Cash flow from financing activities		
Distributed profits	(136,650,000)	(207 733 333)
Net cash used in financing activities	(136,650,000)	(207 733 333)
Net increase in Cash and balances with banks	23,600,473	12,577,050
Cash and balances with banks at the beginning of the year	24,475,822	11,898,772
Cash and balances with banks at the end of the year	48,076,295	24,475,822
Additional non-cash information		
Change in fair value of available for sale investments	1,080,939	-

	Capital	Statutory reserve	Agreed upon reserve	Retained earnings	Unrealized profits	Total
Balance at 1 January 2013	750,000,000	215,208,634	20,655,557	105,914,651	-	1,091,778,842
Dividends	-		-	(206,250,000)	-	-206,250,000
Net income for the year	-		-	113,937,597	-	113,937,597
Forwarded to statutory reserve	-	11,393,760	-	(11,393,760)	-	-
Proposed remuneration of directors	-		-	(1,483,333)	-	(1,483,333)
Balance at 31 December 2013	750,000,000	226,602,394	20,655,557	725,155	-	997,983,106
Balance at 1 January 2014	750,000,000	226,602,394	20,655,557	725,155	-	997,983,106
Dividends for the last year (Note 11)	-	-	-	(135,000,000)	-	(135,000,000)
Net income for the year	-	-		152,260,304	-	152,260,304
Forwarded to statutory reserve	-	15,226,030	-	(15,226,030)	-	0
Proposed remuneration of directors	-	-	-	(1,650,000)	-	(1,650,000)
Unrealized profits from available for sale investments	-	-	-	-	1,080,938	1,080,938
Balance at 31 December 2014	750,000,000	241,828,424	20,655,557	1,109,429	1,080,938	1,014,674,348

1) Activity

National Gas and Industrialization Co. (GASCO) - a Saudi joint stock company - was established by Royal Decree No. 713 dated 12/03/1380 H, to merge the Gas and Manufacturing Company and National Gas Company by the approval of the General Assembly for both companies, and under the letter of the Minister of Trade No. 2943/SH dated 08/01/1381 H. The merger was already conducted in 1383 H. Then, the Council of Ministers Resolution No. 820 dated 13/06/1394 H was issued to merge all institutions engaged in gas activities in the Kingdom in the National Gas and Industrialization Company. Council of Ministers Resolution No. 1615 dated 14/11/1395 determined the capital of the company and the beginning of its operation to be 01/01/1396 H. The company started to operate after the merger on that date. The company had been recorded under Commercial Register No. 2664/000/101 dated 07/22/1383 H in Riyadh as well as under the industrial license No. 659/S dated 07/09/1417 H corresponding to 20/11/1996 AD issued by the Ministry of Industry and Electricity. Council of Ministers Resolution No. 182 dated 07/18/1429 H was issued to approve the continuation of National Gas and Industrialization Co. to the distribution and marketing of gas and its derivatives in the Kingdom for a period of five years as of 05/14/1434 H.

The main activity of the company is to perform all works related to exploitation, manufacturing and marketing of all kinds of gas, its derivatives and industrial gases within Saudi Arabia and abroad. The company activity also includes buying, selling, manufacturing and maintaining cages, cylinders, tanks and accessories. The activity also includes the establishment and maintenance of gas networks, units and theirs accessories. The company may perform all works related to manufacture, transportation and marketing of petroleum products, chemicals, petrochemicals and glass. The company also establish or participate in the production of energy, water treatment and environmental services. The company may own real estates and purchase lands to construct buildings and invest them by selling and rent for the benefit of the company.

2) Bases of Preparation

Financial statements are prepared under accounting standards of Saudi Organization for Certified Public Accountants.

3) Summary of Significant Accounting Policies

Accounting convention

Financial statements have been prepared according to the adjusted historical cost save as the fair value of the available for sale investments.

Cash and cash equivalents

Cash and cash equivalents are composed of balances with banks and short-term investments which can be transferred to known cash amounts within 3 months or less as of purchase.

Accounts receivable

Accounts receivable are initially recognized at the transaction value. They are subsequently measured for their realizable value and a provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that the amounts will not be recovered in accordance with original terms of the agreement. The carrying value of the accounts receivable is reduced through the use of allowance account and any impairment loss is recognized in the statement of income.

3) Summary of Important Accounting Policies (continued)

Inventories

- Inventory of gas is valued based on the cost in accordance with the purchase prices by Saudi Aramco.

- Inventory of cylinders, tanks as well as the other materials is valued based on cost or market, which is cheaper, while the sold items during the year are priced according to the weighted average method.
- Inventory of spare parts is valued based on the cost in accordance with the weighted average method. The management provides an allowance for the slow moving and obsolete inventory after considering the inventory items.

Available for sale Investments

Investments classified as “available for sale investments” are measured after acquisition under the fair value. Available for sale investments are the ones which are not got until the due date, not with the aim of trade. As for the investments whose fair-value risks are not covered, profits or loss resulting from changes of its fair value are included directly in change list of shareholders’ rights until they are sold, excluded or their value is decreased; on then, previously-proofed and accumulated profits or loss are proved in change list of shareholders’ rights and loss of Income/Loss list for a certain period. Available for sale investments whose fair value cannot be defined reliably are recorded according to the amortized cost less than any depreciation of value, if any.

Investments in associates

Associate company is an enterprise in which a company owns more than 20 % of net rights of investment. It is in a position which enables it to have an influence but not a control or common control through participation in the financial and operating decisions relating to the investee companies’ policies. These investments are recorded on the basis of rights of ownership.

Fixed Assets

Cost-based fixed assets appear after recording the accumulated depreciation. Its depreciation is calculated according to the straight line depreciation over the estimated period of productive life with approving the following percentages:

Machinery and equipment of plants	10%
Equipment and computers	20%
Tools	10%
Furniture and furnishings	10%
Building and constructions	5%
Vehicles and Trucks	10%-20%
Cages	20%
Gas cylinders	2.5%

Impairment of tangible assets

At the date of each consolidated balance sheet, the Company reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of realizable value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the statement of income.

3) Summary of Significant Accounting Policies (continued)

Provision for Zakat

Provision for Zakat is dedicated in accordance with the Saudi Zakat regulations. Zakat liabilities are included in statement of income. Any differences may appear after the final linking should be adjusted at the time when Zakat are paid.

Provision for end of service benefits

End of service benefits paid by the Company to the employee after ending he services must be paid in accordance with the Saudi labor laws.

Revenues

Gas sales are recognized upon delivering the sold quantities to customers and distributors and issuing sale invoice.

Revenues of Investment

Revenues resulting from investment of the other companies capital are recognized when dividends is made by these companies and the financial statements are issued.

Foreign currency exchange

The accompanying financial statements are in Saudi Riyal (SAR). Current currency exchange rates are used for converting transactions and balances in the foreign currencies to Saudi Riyal. However, balances of assets and liabilities recorded in foreign currencies are converted to Saudi Riyal based on the current rate of exchange on the date of financial statement. Difference of conversion of foreign currencies is calculated on results of transactions of the year.

General and administrative expenses

General and administrative expenses are measured and recognized as expenditures for the period in accordance with the accrual system.

4) Cash and balances with banks

	31 December 2014	31 December 2013
Balances with banks	48,076,295	24,475,822
Total	48,076,295	24,475,822

5) Net accounts receivable

	31 December 2014	31 December 2013
Accounts receivable	41,269,837	28,389,042
Provisions for doubtful debts	(2,256,000)	(2,256,000)
	39,013,837	26,133,042

6) Inventory

	31 December 2014	31 December 2013
Gas	6,090,144	7,193,062
Cylinders	41,835,532	82,977,809
Tanks	4,650,325	9,416,516
Spare parts and other materials	57,362,302	61,704,270
Provision for slow moving and obsolete inventory	(5,784,875)	(5,784,875)
	104,153,428	155,506,782

7) Prepayments and other accounts receivable

	31 December 2014	31 December 2013
Prepayments to suppliers and contractors	41,958,965	39,607,177
Employee Advances and Murabaha Contracts	404,037	1,202,303
Employee loans and temporary petty cash	4,606,024	4,621,175
Letters of credit	2,685,809	4,447,396
Insurance claims	2,619,342	1,240,301
Prepaid expenses	5,165,081	4,154,466
Bank guarantees in exchange for letters of credit	13,791,057	-
Other	463,246	955,875
	71,693,561	56,228,693

8) Available for sale investments

a) Balances of Available for sale investments

	31 December 2014	31 December 2013
Investments in funds (B)	101,793,339	-
Investment in IPOs (B)	1,143,897	-
Investment portfolio managed by Derayah (B)	101,198,322	-
Investment portfolio managed by Audi Capital (B)	18,974,730	-
Investments in shares of National Industrial Gases Company	52,880,000	52,880,000
United Float Glass Company (D)	27,794,228	27,794,228
Murabaha Investments in goods	-	200,000,000
	303,784,516	280,674,228

b) Investment movement in funds and shares during the year

	For the year ended 31 December 2014	For the year ended 31 December 2013
Opening balance	-	-
Additions during the year	222,029,353	-
Exclusions	-	-
Unrealized profits	1,080,937	-
	223,110,290	-

8) Available for sale Investments (continued)

c) As the fair value is not available, investment in the above-mentioned company was included by the cost less any substantial depreciation, if any. According to the company’s revised financial statements wherein investment made, the book value of investment, as at 31 December 2014, was as follows: SAR 302,491,890 (December 31, 2013: SAR 291,214,710).

d) United Float Glass Company has decided to increase its capital by SAR 75,000,000 rather than SAR 100,000,000 as it had been decided before, and that is why its capital became SAR 275,000,000. As a result, capital share of National Gas & Industrialization Company in the investee company increased from 25% to 27,2% of United Float Glass Company’s capital. In addition, in its extraordinary meeting of 2013 of the general assembly, which was held on 25/5/2013, United Float Glass Company decided to amortize the company’s loss valued at SAR 161,951,590 as it was the case on 31/12/2012 according to the financial statements audited by the company’s auditor on the same date. Likewise, it decided to increase the company’s capital from SAR 113,045,841 to SAR 263,048,410 through subscription by issuing 15 million shares as priority rights for current shareholders in an amount of SAR 150,000,000. Regulatory procedures were completed to modify the commercial register and memorandum of association which resulted in decrease of National Gas & Industrialization Company’s capital share in United Float Glass Company from 27.2% to 11.72%.

9) Investments in associates

	% Ownership	31 December 2014	31 December 2013
Saudi Gas Cylinder Factory	37.57%	26,429,143	28,408,390
Natural Gas Distribution Company of Riyadh	35%	19,165,818	19,682,021
East Gas	35%	16,873,335	14,739,597
		62,468,296	62,830,008

10) Real Estate Investments

a) Cost

	Lands	Buildings	Total
Balance at 1 January 2014	34,494,172	13,676,164	48,170,336
Balance at 31 December 2014	34,494,172	13,676,164	48,170,336
Accumulated depreciation			
Balance at 1 January 2014	-	13,676,161	13,676,161
Balance at 31 December 2014	-	13,676,161	13,676,161
Net book value			
31 December 2014	34,494,172	3	34,494,175
31 December 2013	34,494,172	3	34,494,175

b) Fair value

During 2012, the company considered the fair value of the invested lands using an independent evaluation authority and the well-known professional methods, taking into account transactions of the similar properties. As at 31 December 2012, the fair value of lands was SAR 399,644,188, though the company did not conduct such a study in 2013. Such a pre-prepared evaluation has no effect on the company's financial statements as it was the case in 2014; the company follows the historical cost for its accounting transactions of these lands according to the applicable Saudi accounting standards which do not allow using the fair value to measure these lands.



11) Non-current assets

	Land	Buildings & construction	Vehicles & trucks	Machinery and equipment of plants	Furniture and furnishing	Devices & equipment	Cages	Tools & appliances	Gas cylinders	Total
Cost										
Balance as at 1 January 2014	24,834,454	439,962,061	397,219,990	518,428,510	19,763,887	34,877,670	112,111,606	4,506,226	135,718,240	1,687,422,644
Additions	-	2,158,384	19,794,939	5,775,120	511,554	5,446,423	-	202,004	0	33,888,424
Exclusions	-	(11,600)	(164,600)	(56,562)	(125,885)	(190,469)	(346,153)	(46,097)	0	(941,366)
Balance as at 31 December 2014	24,834,454	442,108,845	416,850,329	524,147,068	20,149,556	40,133,624	111,765,453	4,662,133	135,718,240	1,720,369,702
Accumulated depreciation										
Balance as at 1 January 2014	-	249,662,215	283,209,667	371,878,065	15,518,603	27,059,499	97,852,066	3,163,284	16,739,387	1,065,082,786
Depreciation	-	13,630,669	32,543,891	23,305,601	865,706	3,260,914	5,415,001	310,079	3,392,956	82,724,817
Exclusions	-	(8,071)	(164,600)	(56,557)	(107,975)	(189,847)	(346,152)	(45,876)	0	(919,078)
Balance as at 31 December 2014	-	263,284,813	315,588,958	395,127,109	16,276,334	30,130,566	102,920,915	3,427,487	20,132,343	1,146,888,525
Net book value										
31 December 2014	24,834,454	178,824,032	101,261,371	129,019,959	3,873,222	10,003,058	8,844,538	1,234,646	115,585,897	573,481,177
31 December 2013	24,834,454	190,299,845	114,010,323	146,550,445	4,245,284	7,818,171	14,259,540	1,342,942	118,978,853	622,339,858

12) Projects under construction

	31 December 2014	31 December 2013
Updating Production Line Project	71,267,878	64,878,413
Earthling and Lightning Rods Project	19,710,37	8,901,636
Customer Service Project	-	3,755,717
Other various projects	36,119,625	16,583,021
	117,097,874	94,118,787

13) Deferred revenue expenses

	31 December 2014	31 December 2013
Balance at the beginning of the year	4,161,831	4,161,831
Exclusions	-	-
Balance at the end of the year	4,161,831	4,161,831
Less:		
Accumulated amortization at the beginning of the year	4,088,792	3,391,718
Amortization for the year	73,039	697,074
Accumulated amortization of the exclusions	-	-
Accumulated amortization at the end of the year	4,161,831	4,088,792
	0	73,039

14) Accounts payable

	31 December 2014	31 December 2013
Saudi Aramco – Accrued expenses for refineries	15,490,753	18,349,851
Creditors and suppliers	24,792,128	34,770,128
Prepayments from customers	1,728,819	2,547,125
Amounts collected for settlements	34,042,303	29,355,598
	76,054,003	85,022,702

15) Accrued expenses and other accounts payable

	31 December 2014	31 December 2013
Insurance for cages	1,163,900	1,155,500
Due expenses	5,659,496	7,562,457
Charity Fund and Employee Penalty Fund	2,583,488	2,600,593
Creditors of shareholders' profits distributions	32,393,970	31,952,010
Remuneration of Directors	1,650,000	1,483,333
	43,450,854	44,753,893

16) Provision for Zakat

a) Net amended income

	31 December 2014	31 December 2013
Net amended income	178,061,990	178,686,299

b) Zakat Base

	31 December 2014	31 December 2013
Net amended income	178,061,990	178,686,299
Items subject to Zakat	1,219,915,786	1,216,696,745
Less:		
Items not subject to Zakat	(1,136,049,614)	(1,142,460,903)
Zakat Base	261,928,162	252,922,141
Zakat with 2.5% from (A) or (b) which one is bigger	6,548,204	6,323,053

Movement of provision of Zakat is as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the year	7,568,717	6,307,663
Accumulated during the year	6,548,204	6,323,054
Paid during the year	(5,105,317)	(5,062,000)
	9,011,604	7,568,717

The company settles its Zakat till 2004. The company submitted its Zakat-relevant declarations for 2005-2013 and paid Zakat due under these declarations. Furthermore, modified Zakat-relevant declarations for 2005-2007 were reported from the DZIT. They indicated that there were Zakat differences of SAR 39,000,000. The Company, on its part, objected to them before the concerned committees under the law.

17) Statutory reserve

In accordance with Article of Association of the Company, 10% of net income for the year must be transferred to the statutory reserve. Such a transfer may be suspended if the reserve reaches 50% of the capital. It is worth noting that such a statutory reserve may not be distributed.

18) Agreed upon reserve and dividends of the last year

- According to the Article of Association of the Company, the general assembly may decide to deduct (5%) of net income for the year to the agreed upon reserve after deduction of the statutory reserve and Dividends.
- The Company distributed shareholders’ dividends for half of the year ended 31 December 2012 in an amount of SAR 75,000,000, which equals 10% of the company’s capital. In the meeting of general assembly held on 30 March 2013, the Board’s suggestion of dividends was approved.
- The Company distributed profits to shareholders for the third quarter valued at SAR 75,000,000 which equals 10% of the Company’s capital under the Board’s decision issued on 23 December 2013. Priority is given to the shareholders registered at the trading records at the end of trading day 23/12/2013.
- The Company distributed dividends to shareholders for the first half of the financial year 2013 in an amount of SAR 56,250,000 which equals 7.5% of the Company’s capital under the Board’s decision issued on 26/8/2013. Priority is given to the shareholders registered at the trading records at the end of trading day, 09/09/2013.

Dividend for the current period:

- Based on Board of Directors’ decision dated 17/03/2014, dividends was proposed in total amount of SAR 30 million, which equals 40 halalas per share. After the adoption of the dividend policy for each quarter by the General Assembly as of the first quarter of 2014 was, this policy was adopted at the meeting of General Assembly held on 26/3/2014. Accordingly, the Company distributes dividends for the first quarter on 15/04/2014. Priority is given to the shareholders registered at the trading records at the end of trading day 31/03/2014
- The Company distributed dividends in an amount of SAR 30 million for the second quarter on 15/07/2014. Priority is given to the shareholders registered at the trading records at the end of trading day 07/07/2014
- The Company distributed dividends in an amount of SAR 33.75 million for the third quarter on 01/10/2014. Priority is given to the shareholders registered at the trading records at the end of trading day 21/09/2014.
- The Company distributed dividends in an amount of 41.25 million for the fourth quarter on 28/12/2014. Priority is given to the shareholders registered at the trading records at the end of trading day 21/12/2014.

19) Revenues

	For the year ended 31 December 2014	For the year ended 31 December 2013
Gas sales	1,667,200,802	1,637,725,002
Sales of cylinders, tanks and spare parts	130,377,678	147,842,539
Revenues of service, transportation and installation	7,257,878	8,305,350
Sales Returns	(6,676,258)	(6,090,644)
	1,798,160,100	1,787,782,247

20) Cost of revenues

	For the year ended 31 December 2014	For the year ended 31 December 2013
Gas value	1,086,874,888	1,067,102,307
Salaries and wages	256,523,504	260,189,614
Purchase value of cylinders, tanks and spare parts	109,359,639	120,959,193
Spare parts and other	49,020,567	47,746,809
Depreciation of fixed assets	78,164,861	73,238,285
Administrative expenses of operation	22,309,939	28,609,731
Insurance	7,323,663	6,329,387
Amortization of deferred revenue expenses	45,339	183,517
Repair and maintenance	1,517,010	1,662,490
	1,611,139,410	1,606,021,333

21) General and administrative expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Salaries and wages	29,741,307	33,470,509
Allowances and expenses of Directors	2,295,635	1,614,272
Depreciation of fixed assets	4,559,957	3,024,586
Amortization of deferred revenue expenses	27,700	513,557
Telephone, electricity and water	1,382,461	1,234,078
Advertising	1,801,717	1,419,468
Charges of visas and licenses	1,839,678	703,124
Repair and maintenance	3,233,366	1,911,979
Insurance	2,563,025	2,053,909
Administrative and technical consultations	1,952,962	1,460,050
Provisions	-	37,500,000
Others	3,323,475	2,501,524
	52,721,283	87,407,056

22) Other expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Loss of damaged cylinders	(9,516,775)	(14,181,079)
	(9,516,775)	(14,181,079)

23) Profits from investments in associates

	For the year ended 31 December 2014	For the year ended 31 December 2013
Saudi Gas Cylinder Factory	1,476,732	3,372,286
Natural Gas Distribution Company of Riyadh	1,233,797	2,685,961
East Gas	2,133,737	1,085,490
	4,844,266	7,143,737

24) Returns (Loss) of Murabaha investments in available for sale inventories

	For the year ended 31 December 2014	For the year ended 31 December 2013
Murabaha investments in inventories	3,655,440	53,201,94
Investments in shares of National Industrial Gases Company	8,928,000	8,928,000
United Float Glass Company	-	(4,588,188)
	12,583,440	7,541,757

25) Other revenues

	For the year ended 31 December 2014	For the year ended 31 December 2013
Rent of distribution shops and cages	4,999,384	4,910,282
Real estate returns	7,850,000	7,705,000
Net capital profits	536,087	8,070,142
Miscellaneous	3,212,696	4,716,954
	16,598,167	25,402,378

26) Balances and transactions with related parties

		31 December 2014		31 December 2013	
Company Name	Kind of transaction	Amount	Balance	Amount	Balance
Saudi Gas Cylinder Factory (Partnership percentage 37%)	Purchases	50,383,875	-	116,594,528	10,881,409
		50,383,875	-	116,594,528	10,881,409

The below table indicates remunerations of Board of Directors and its committees, proposed remunerations of directors during the year, benefits of senior management, other expenses and balances at the end of the year:

Related party	Type of transaction	Transaction amount for the year ended 31 December 2014	Transaction amount for the year ended 31 December 2013	Balance as at 31 December 2014	Balance as at 31 December 2013
Remuneration of Board of Directors and its affiliated committees	Remunerations (A)	2,743,834	2,997,606	1,650,000	1,483,333
	Expenses	298,920	156,880	-	-
	Representation in Board of Directors of associates	129,888	100,000	129,888	100,000
Senior Management	Short term benefits	2,284,188	2,883,906		-
Senior Management	End of service benefits	1,092,067	4,104,646	257,506	1,344,018

(A) In accordance with the Board of Directors’ decision No. 1/2013/291 dated 01/12/2013, a simple remuneration in an amount of SAR 1, in addition to Mercedes car, model 2011, had been provided to His Excellency the former Chairman, Abdullah bin Ali Naeem, who resigned and left the chairmanship and membership of the Board of Directors on 01/01/2013. It is worth noting that the financial impact of this decision was reflected in the financial statements of 2013.

27) Earnings per share

Earnings per share has been calculated for the year ended 31 December 2014 and 2013 and by dividing the income for the year from major business activities and dividing the annual net income by the average number of authorized and issued shares during the year, amounting to 75 million shares.

28) Capital commitments and Contingent liability

a. Capital commitments resulted from capital work contracts amounted to SAR 160,139,437 as at 31 December 2014 (SAR 171,662,494 as at 31 December 2013).

b.The Company guaranteed some other investee companies to the Industrial Development Fund (banking and legal) according to its share in the capital of these companies. These guarantees are as follows:

	Share percentage	Guarantee amount
National Industrial Gases Company	9%	72,460,440
United Float Glass Company	11.72%	63,775,000
		136,235,440

Letters of guarantee and letters of credit in the financial statements issued by the National Commercial Bank, Saudi Hollandi Bank, Gulf International Bank in the amount of SAR 314,706,705 (SAR 288,424,548 as at 31 December 2013)

29) Gas Tanker incident

According to the provided data as at 31 December 2014, the Company’s management is of opinion that they are not responsible for the incident. In this regard, the Company’s management contracted a specialized law firm to provide legal advice to assess the situation regarding the incident. The law firm stated that the legal position of the Company in respect of the gas tanker incident is strong and the Company has also a strong chance to refute potential lawsuits that may be filed against the Company in the future by any party affected by the incident. It is worth noting that the committee formed by Emirate Of Riyadh Province to identify the parties responsible for the incident did not complete its work up to date.

30) Comparative figures

Some comparative figures of the year ended 31 December 2013 have been reclassified to conform to the current year’s presentation without affecting the financial statements.

31) Approval of financial statements

These financial statements has been approved by the Board of Directors on - Rabi’ Al Awwal 1436H, corresponding to - January 2015.

