

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

BOARD OF DIRECTORS' REPORT FOR THE YEAR 2014

The Board of Directors of Alujain Corporation (Alujain) is pleased to present the Company's annual report and audited financial statements for the year ended December 31, 2014, along with a briefing on major developments and achievements with the grace of God and efforts of its employees under the guidance and continued monitoring by the Board of Directors and the Chairman.

Alujain's main objective is to identify, evaluate, promote, develop and invest in major industrial projects in the petrochemicals, mining, metals and energy sectors in the Kingdom of Saudi Arabia. Pursuant to these objectives the Company acquired majority (57.4%) equity ownership in National Petrochemical Industrial Company (NATPET) which operates a 400,000 tons per year Propylene & Polypropylene Complex (PP Complex) in Yanbu Industrial City, using Oleflex and Spheripol technologies. Alujain, Xenel and GOSI are the major shareholders in NATPET. During 2014 Alujain reported a net profit of SR167.38 million, as compared to a net profit of SR109.82 million during 2013. This increase in profit is attributed mainly to higher sales quantities, higher selling prices and a decline in propane price. The company was also able to reduce its Financial Charges, General & Administrative expenses and Selling & Marketing expenses by SR10.4 million, SR1.7 million and SR4.3 million respectively.

The Net Profit of NATPET for the fiscal year 2014 was SR310.34 million, as compared to Net Profit of SR208.29 million during 2013. This increase in profit is mainly due to the explanation provided in the above paragraph. The production during 2014 was 360K metric tons of polypropylene which is 90% of design capacity, as compared to 342K metric tons during 2013 which was 85.5% of the design capacity. The sales during 2014 was SR2,132.70 million (367K metric tons) as compared to sales of SR1,876.20 million (335K metric tons) during 2013. In compliance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA), the financial statements of Alujain are consolidated to include NATPET as a subsidiary.

Alujain is a major shareholder in Zain Industries Company Ltd. (Zain). Zain owns and operates its plant in Jubail Industrial City. Zain's main business includes production and marketing of Fast Moving Consumer Goods (FMCG), as well as insecticides, pesticides, fungicides etc. The sales for 2014 was SR27.83 million as compared to SR21.48 million during 2013, with a net profit of SR0.67 million as compared to a loss of SR1.31 million during 2013.

I. FUTURE PLANS

1. Alujain's subsidiary National Petrochemical Industrial Co. (NATPET) Propylene & Polypropylene Complex in Yanbu Industrial City - Alujain owns (57.4%) of its capital - will undergo a scheduled major turnaround procedure (major maintenance) for a period of 33 days starting January 25, 2015. The estimated financial impact will be SR38 Million depending on prevailing prices of polypropylene and feedstock, which will be reflected in the 1st Quarter 2015 financials. It may be noted that such shutdown for turnaround procedure is not counted as loss in production and revenues, since it is planned in advance in accordance with accepted industrial practice and the effects have been taken into account in the preparation of the operating budget for 2015, both in terms of the quantity of production and expected revenue.
2. NATPET entered into a joint venture agreement with A. Schulman Inc. of the U.S.A on 19th Rajab 1433H (corresponding to 9th June 2012) to build about 100,000 MT per annum polypropylene compounding plant in two phases. The plant will be a 50-50 joint venture. The JV is a Limited Liability Company with its registered office and plant adjacent to NATPET's Yanbu facility.

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

Currently, Alujain is not actively pursuing any projects other than those mentioned above and is not planning to restructure or discontinue any of its activities.

II. MAJOR EVENTS OF 2014

1. NATPET received SR 91.88 million in settlement of its claim with insurers pertaining to a breakdown occurred at its PP Complex in Yanbu Industrial City during 1st quarter of 2013 (in 2013 also it had received SR75 million insurance settlement against a breakdown occurred in September 2011). The 2014 settlement comprises of SR 40.80 million pertaining to machinery repairs and the rest to compensate for loss of production, as a result of the breakdown.
2. NATPET Board recommended to its Shareholders to approve a cash dividend of SR 0.50 per share (5% of face value), which amounts to SR 53.5 million. The eligibility for dividends shall be for the shareholders registered in NATPET shareholders' register at end of the day of its general assembly meeting. The dividend distribution date will be announced later. Alujain owns 57.4% of Natpet.
3. NATPET achieved King Khalid Award for Responsible Competitiveness for the year 1436H/2014.
4. Bonar-Natpet, NATPET's joint venture (JV), declared commercial production during 2nd Quarter 2014. Bonar-Natpet is a JV between NATPET and Low & Bonar PLC (a listed company on the London Stock Exchange) of the United Kingdom to produce geotextile products for the fast growing civil engineering infrastructure markets in the Middle East and the Indian subcontinent. The plant has a capacity of 17,300 tons/year of staple fiber and 9,600 tons/year of nonwoven geotextiles. NATPET owns 50% stake in the joint venture while the remaining is held by the technical partner. The JV is a Limited Liability Company, having its registered office and plant in Yanbu Industrial City adjacent to NATPET Polypropylene Complex, with a paid up capital of SR 64 million, comprised of 6.4 million shares of SR10 per share as at 31 December 2014. The JV signed agreements with SIDF for an amount of SR76.6 million, secured against mortgage of Bonar-Natpet assets and corporate guarantees from both the partners. It also signed a bridge financing agreement with a commercial bank for SR76.6 million and received SR70 million.

During 2014, Bonar-Natpet produced 1,723 tons of Nonwoven and 3,178 tons of Fiber and reported sales of SR23.5 million comprising of SR13.7 million (1,307 tons) for Nonwoven and SR9.5 million (1,079 tons) for Fiber. It reported a net loss of SR20 million in 2014 and NATPET recorded SR 10 million - 50% of the net losses - being its share as per the shareholding in its books.

III. FINANCIAL HIGHLIGHTS

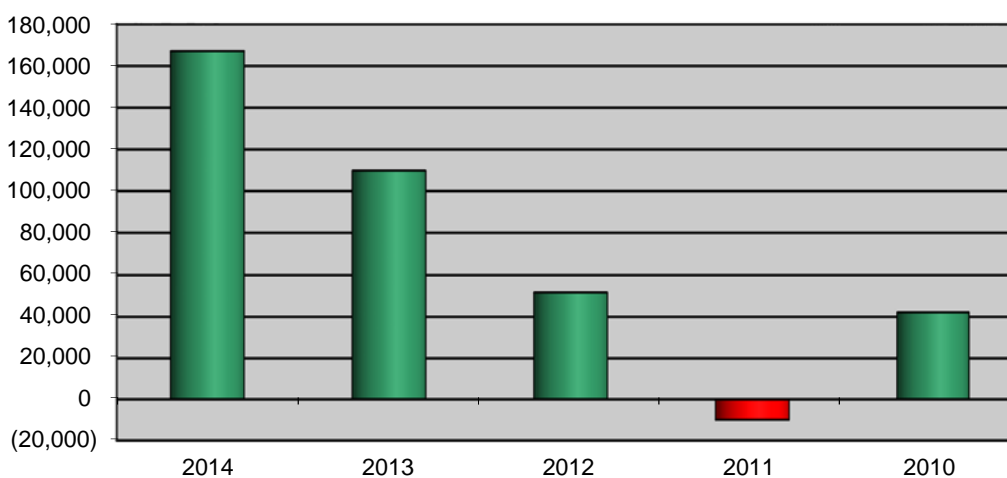
The year's Profit and Loss (P&L) Summary reflects consolidated results with sales of SR2,132.70 million (367K metric tons of polypropylene) and a gross profit of SR434.16 million with a net profit of SR167.38 million, as compared to sales of SR1,876.20 million (335K metric tons) and gross profit of SR109.82 million in 2013.

A. Five-Years Profit or (Loss) Summary

	Year ended December 31				
	2014 (SR '000)	2013 (SR '000)	2012 (SR '000)	2011 (SR '000)	2010 (SR '000)
Sales	2,132,699	1,876,203	2,111,941	1,471,866	852,133
Cost of sales	(1,698,541)	(1,532,349)	(1,819,521)	(1,313,054)	(673,116)
Gross profit	434,158	343,854	292,420	158,812	179,017
Operating expenses	(78,164)	(84,166)	(77,406)	(64,293)	(73,569)
Net operating income (loss)	355,994	259,688	215,014	94,519	105,448
Impairment loss on delay of plant start-up	0	0	0	0	(177,750)
Insurance & contractor's compensations	51,079	50,229	0	0	177,750
Financial charges	(69,546)	(79,977)	(100,163)	(95,094)	(36,900)
Net other income (expenses)	(22,987)	(22,684)	(15,200)	(7,091)	12,784
Profit (Loss) before Zakat	314,540	207,256	99,651	(7,666)	81,332
Zakat	(14,953)	(8,703)	(1,564)	(1,557)	(7,532)
Profit (Loss) Before Minority Interest	299,587	198,553	98,087	(9,223)	73,800
Minority Interest*	(132,206)	(88,734)	(46,409)	(729)	(31,618)
Net Profit (Loss)	167,381	109,819	51,678	(9,952)	42,182

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

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



B. Comparative Operating Results (2 years):

The 2014 net income before Zakat and minority interest is SR314.54 million as compared to SR207.23 million during 2013. The increase in net profit is mainly due to higher sales quantities and better selling prices and a decline in propane price. The finance charges, selling & distribution expenses and general & administrative expenses also reduced during 2014 as compared to 2013. The subsidiary (NATPET) reported SR10 million against its share of losses from its joint venture (Bonar-Natpet) for the year 2014. NATPET will have a scheduled turnaround during 1st quarter of 2015, as mentioned under I above.

Two years comparative consolidated operating results

	Year ended on December 31		
	2014 (SR '000)	2013 (SR '000)	Net Changes (SR '000)
Sales	2,132,699	1,876,203	256,496
Cost of sales	(1,698,541)	(1,532,349)	(166,192)
Gross profit	434,158	343,854	90,304
Operating expenses	(78,164)	(84,166)	6,002
Net operating income (loss)	355,994	259,688	96,306
Financial charges	(69,546)	(79,977)	10,431
Net other income (expenses)	28,092	27,545	547
Profit (Loss) before Zakat	314,540	207,256	107,284
Zakat	(14,953)	(8,703)	(6,250)
Profit (Loss) Before Minority	299,587	198,553	101,034
Minority Interest*	(132,206)	(88,734)	(43,472)
Net Profit (Loss)	167,381	109,819	57,562

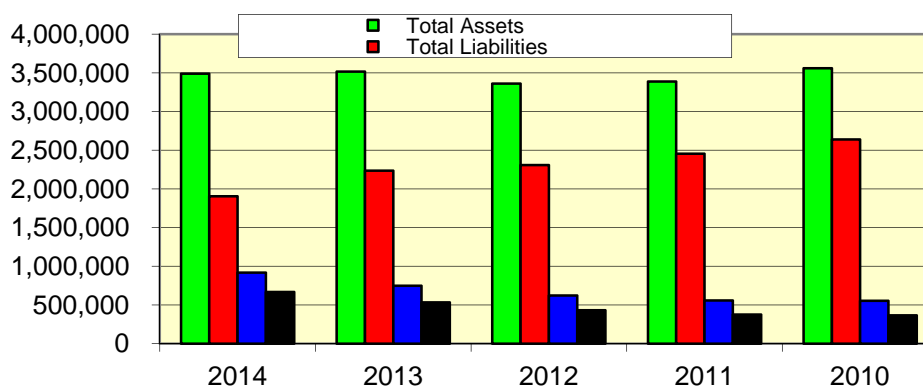
* Minority interest represents 42.6% share of other shareholders in NATPET.

C. Summary of Financial Position

	As at December 31				
	2014 (SR '000)	2013 (SR '000)	2012 (SR '000)	2011 (SR '000)	2010 (SR '000)
ASSETS					
Current assets	1,106,122	987,956	678,542	522,836	733,980
Non-current assets	2,382,891	2,528,427	2,681,252	2,832,468	2,825,451
Total Assets	3,489,013	3,516,383	3,359,794	3,355,304	3,559,431
LIABILITIES AND EQUITY					
Current liabilities	646,636	747,157	611,030	648,333	516,941
Non-current liabilities	1,258,154	1,488,736	1,696,095	1,773,704	2,122,641
Total Liabilities	1,904,790	2,235,893	2,307,125	2,422,037	2,639,582
Shareholders' Equity	917,499	747,739	621,120	557,208	554,164
Minority interest *	666,724	532,751	431,549	376,059	365,685
Total Liabilities & Shareholders' Equity	3,489,013	3,516,383	3,359,794	3,355,304	3,559,431

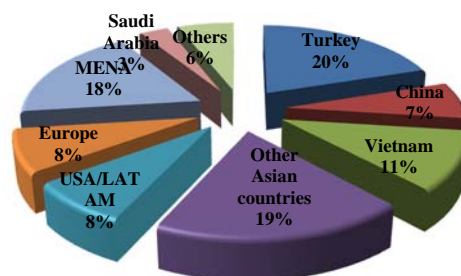
*Minority interest represents 42.6% share of other shareholders in NATPET.

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



D. Geographical Analysis of Consolidated Sales:

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



IV. ZAKAT AND OTHER AMOUNTS PAID TO THE GOVERNMENT

ZAKAT STATUS

On a standalone basis, Alujain has made total provision of SR0.74 million during 2014 estimated Zakat expenses. The other issues are summarized below:

- The Company finalized its Zakat status for the year ended December 31, 2002 and obtained the final Zakat certificate. The Zakat returns for 2003 through 2013 have been filed with the Department Zakat and Income Tax (DZIT) and obtained the respective restricted Zakat certificates.
- The DZIT has issued the assessments for the years 2003 to 2007 and 2008 to 2010 with an additional liability of SR 5,434,462 and SR 16,873,555 respectively. The Company has filed appeals with the Higher Appeal Committee (HAC) against the Preliminary Appeal Committee's (PAC) decisions and submitted bank guarantees for the additional liabilities. The DZIT has issued the assessment for the years 2011 and 2012 with an additional zakat liability of SR 6,749,520 against which the Company has filed an appeal with the DZIT. Assessment for the year 2013 is currently under review with the DZIT.

AMOUNTS PAID TO THE GOVERNMENT

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

	2014 (SR '000)	2013 (SR '000)
Zakat	528	753
General Organization for Social Insurance	271	265
Tadawul	437	433
Registration, visas and other expenses	18	31
Total amounts paid to the Government	1,254	1,482

V. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (NATPET):

NATPET is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and PP Complex in Yanbu Industrial City to produce Polypropylene and its derivatives. The authorized and paid up capital comprised 107 million shares of SR10 per share as at 31 December 2014. Alujain currently holds 57.4% of the total equity of NATPET.

NATPET's major achievements

1. Stood 1st Position in King Khalid Responsible Competitive Index (RCI) Award – 2014.
2. Won Arabia Corporate Social Responsibility (CSR) Award 2014.
3. Won – European Business Academy (EBA) Best Enterprise Award UK 2014.
4. Won the World Confederation of Business (Worldcob) USA, "BIZZ Award 2014".
5. Won Capital Finance International (CFI) UK Oil & Gas Award 2014.
6. Won Value Chain Leadership Award – USA.
7. RC 14001:2013 Responsible Care Management System Certification from ABS USA.
8. ISO 17025:2005 Laboratory Accreditation Certificate – Successful Recertification.

9. OHSAS 18001:2007 Health & Safety Management System (Certificate Renewal):
10. ISO 9001:2008 Quality Management System (Certificate Renewal).
11. ISO 14001:2004 Environment Management System.
12. Celebrated Waste Free Environment Day on 20th Feb 2014 by cleaning the sea bed at Jeddah Corniche and collected 720 KG of waste with the help of around 100 volunteer divers.
13. Other ISD achievements:
 - Zero Fatality on occupational health & safety incident.
 - 3.10 Million Safe Man-hours worked since last LTI dated February 04, 2013, 206 Observations in Safety Inspections.
 - Received a second "Perfect Record Award" from National Safety Council (NSC).
 - NATPET was awarded the prestigious RoSPA Occupational Health & Safety 2013 Gold Award.

VI. ASSOCIATE COMPANY

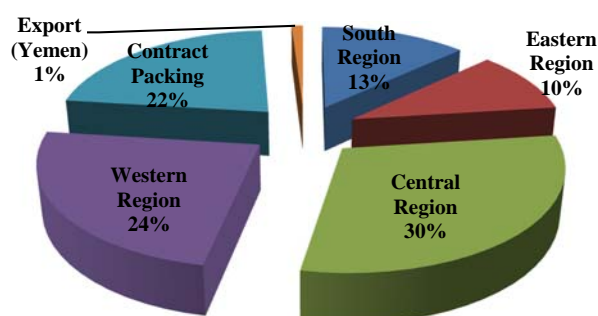
Zain Industries Company Ltd (Zain):

Zain is a Saudi Limited Liability Company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City, with a paid up capital of SR60 million, comprised of 6,000 shares of SR10,000 per share as at 31 December 2014. Its main objective is to produce homecare products, insecticides and agricultural pesticides, herbicides fungicides etc, of all kinds and forms, beside the general health products. Alujain holds 49.38% ownership in Zain.

Zain's sales during 2014 is SR27.83 million as compared to SR21.48 million during 2013, with a net profit of SR0.67 million (2013 loss was SR1.31 million).

Geographical Analysis of Sales:

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



VII. SUMMARY OF LOANS

The Company does not have any loans from lenders except the loans taken by its subsidiary (NATPET) as detailed below:

(all amounts are in thousand Saudi Riyals):

Description of loan	Terms of loans	Original loans	Loan repayments		Outstanding balances
			Prior years	Current year	
Islamic Commercial/Bridge Banks	Bridge Loan, 10 Yrs.	1,232,841	1,232,841	0	0
Islamic Facility Agreement/ Commercial Banks (Re-financing)	Term loan, 8 yrs	1,000,000	55,510	89,670	854,820
Public Investment Fund loan	Term loan, 10 yrs	750,000	225,000	75,000	450,000
Saudi Industrial Development Fund (SIDF)	Upfront Fees, 10 Yrs.	400,000	200,000	80,000	120,000
Others	No fixed repayment period	21,645	0	0	21,645
Total		3,404,486	1,713,351	244,670	1,446,465

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

VIII. BOARD OF DIRECTORS

A. Constitution of the Board of Directors:

During 2014 the Board of Directors consisted of nine directors as per below table. The table also lists the directorships in other Joint Stock Companies (only listed and traded).

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

B. Meetings:

During 2014 the Board of Directors held 4 meetings as follows:

Directors	Mtg# 84		Mtg# 85		Mtg# 86		Mtg# 87		Total Present	Total Proxy	Attendance Percentage
	20/02/14		20/04/14		23/10/14		31/12/14				
	Present	Proxy	Present	Proxy	Present	Proxy	Present	Proxy			
Khalid A.Y. Zainal Alireza	✓		✓		✓		✓		4		100%
Matouq Hassan Jannah	✓		✓		✓		✓		4		100%
Khalid Ibrahim Zagzoog	✓		✓		✓		✓		4		100%
Abdallah Sadiq Dahlan	✓		✓		-	✓	-	✓	2	2	50%
Ali Abdulla Kanoo	✓		-	✓	✓		-	✓	2	2	50%
Adnan Kamel Salah	✓		✓		✓		✓		4		100%
Omar Hashim Khalifati	✓		✓		✓		✓		4		100%
Mohammad Ali Al-Naki	-	✓	-	✓	-	✓	✓		1	3	25%
Abdullah M. N. Rehami	-	✓	✓	-	-	✓	-	✓	1	3	25%

C. Board Committees:

1. Audit Committee:

i) Mandate:

The main objectives of the Committee include but are not limited to, ensuring the adequacy of policies and procedures and soundness of the internal control, appropriateness of financial accounting and reporting, as well as ensuring the effectiveness of the internal and external audit functions on an ongoing basis. The audit of the effectiveness of internal control procedures for the year 2014 showed no substantial or material weaknesses in the company. The Committee also reviews the Company's financial statements.

ii) *The Results of the annual review of the effectiveness of Internal Audit procedures:*

The Audit Committee oversees the work of the internal audit in the Company periodically to ensure the adequacy and effectiveness of the internal control system in general and with respect to the fairness of the financial statements in particular. It also provides an ongoing evaluation of the internal control system and its effectiveness, and deals with any serious observations, in context with the goals of the Board of Directors to obtain a reasonable assurance about the soundness of the design and effectiveness of the same.

In this context the Committee has discussed during the fiscal year 2014 the periodic reports prepared by the internal audit and reported to the Board of Directors on actions and recommendations as it deemed appropriate, and met with the external auditors and executive management to discuss matters related to the work of the Company.

The Annual review of the effectiveness of the Internal Control system has not shown any intrinsic weakness in the Company.

The Audit Committee and Board of Directors have confirmed the effectiveness of the internal control procedures that the Company's objectives have been achieved, and the published financial statements have been prepared in reliable and dependable manner in accordance with the accounting standards and related regulations and laws.

iii) *Audit Committee Members:*

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

iv) *Meetings:*

The Committee held 7 meetings during 2014 as follows:

	Mtg# 52	Mtg# 53	Mtg# 54	Mtg# 55	Mtg# 56	Mtg# 57	Mtg# 58	Total Attendance	Attendance Percentage
	15/01/14	19/02/14	17/04/14	02/06/14	16/07/14	23/10/14	28/12/14		
Omar Hashim Khalifati	✓	✓	✓	✓	✓	✓	✓	7	100%
Ali Abdulla Kanoo	-	✓	✓	✓	-	✓	✓	5	71%
Mohammad Uzair Afzal	✓	✓	✓	✓	✓	-	-	5	71%
Adnan Kamel Salah	✓	✓	-	✓	✓	✓	✓	6	86%

During the 3rd Quarter 2014, Mr. Mohammad Uzair Afzal resigned as member of the Audit Committee without any replacement.

2. Nomination and Remuneration Committee:

i) *Summary of functions and responsibilities:*

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

ii) *The Nomination and Remuneration Committee Members:*

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

iii) *Meetings:*

The Committee had 2 meetings during the year 2014 as per the following attendance. There is no remuneration paid to any of the Committee members including its Chairman.

Members	Mtg # 5	Mtg # 6	Total Attendance	Attendance Percentage
	25/03/14	30/12/14		
Khalid Ibrahim Zagzoog	✓	✓	2	100%
Ahmed Saad Gabbani	✓	✓	2	100%
Matouq Hassan Jannah	✓	✓	2	100%

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

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

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Khalid A.Y. Zainal Alireza	957,216	1.383%	-	-	957,216	1.383%
Matouq Hassan Jannah	1,200	0.002%	-	-	1,200	0.002%
Khalid Ibrahim Zagzoog	2,900	0.004%	-	-	2,900	0.004%
Abdallah Sadiq Dahlan	1,000	0.001%	-	-	1,000	0.001%
Ali Abdulla Kanoo	4,520	0.007%	-	-	4,520	0.007%
Adnan Kamel Salah	2,000	0.003%	-	-	2,000	0.003%
Omar Hashim Khalifati	22,060	0.032%	-	-	22,060	0.032%
Mohammad Ali Al-Naki	1,000	0.001%	-	-	1,000	0.001%
Abdullah M. N. Rehaimi	3,700	0.005%	-	-	3,700	0.005%

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

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

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

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

	Board Members		Highest paid senior executives including COO & VP-Finance*
	Executive (2 persons)	Non-executive/ Independent (7 persons)	
Salaries and compensation	720,000	-	1,236,000
Allowances	24,000	54,000	417,000
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Other Compensations	-	125,000	469,719
Total	744,000	179,000	2,122,719

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

Remuneration of Audit Committee

Position	Meeting Fees
Chairman	42,000
Members	34,000
Total	76,000

X. TRANSACTIONS WITH RELATED PARTIES

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

(a) Summary and nature of transactions:

Party	Board Member	Contract Period	Nature of dealing	Amount (SR '000)
Board of Directors of the Company			Remuneration	999
Board of Directors of the Subsidiary			Remuneration	3,521
Hidada Company Limited	Khalid A.Y. Zainal Alireza	One year (perpetual)	Joint expenses charged to the group	836
Saudi Cable Company	Khalid A.Y. Zainal Alireza	One year (perpetual)	Joint expenses charged by the group	81
Saudi Cable Company	Khalid A.Y. Zainal Alireza	One year (perpetual)	Purchase of material	504
Xenel Industries Ltd.	Khalid A.Y. Zainal Alireza	One year (perpetual)	Shared services charged to the group	5,801
Safra Company Limited	Khalid A.Y. Zainal Alireza Khalid Ibrahim Zagzoog	One year (perpetual)	Purchase of material /joint expenses charged to the group	7,115
		Sale Agreement	Investment sold by the group	761
Zain Industries Co.	Marwan Nusair	One year (perpetual)	Joint expenses charged by the group	22
Bonar Natpet	Matouq Hassan Jannah	One year (perpetual)	Joint expenses charged to the group	63
			Sales	17,140

(b) There were no transactions between the Company and its senior executives except as presented in section VIII & IX above during 2014.

XI. PROFIT DISTRIBUTION POLICY

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

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

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

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

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

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

XII. POTENTIAL BUSINESS RISKS

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

1. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group does not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and to a lesser extent Euros. Management monitors such exposures on a regular basis. However, there were no significant foreign exchange contracts outstanding at December 31, 2014.

2. Fair value and cash flows interest rate risk

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

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

3. Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available for sale investment and investments in Murabaha Funds. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

4. Credit risk

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

The largest receivable balance (one off-taker) accounts for 50% of outstanding trade accounts receivable at December 31, 2014 (2013: 35%). Credit risk is managed by monitoring the off-taker balance and ensuring timely collection of the due balance.

5. Liquidity risk

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

6. Fair value

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

XIII. CORPORATE GOVERNANCE

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

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

XIV. BOARD DECLARATIONS

1. The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on consistent basis.
2. The board declares that:
 - a. Proper books of account have been maintained.
 - b. The system of internal control is sound in design and has been effectively implemented; and
 - c. There are no significant doubts concerning the issuer's ability to continue as a going concern.
3. The external auditors have given an unqualified opinion on the financial statements for the period ended on December 31, 2014, hence no reservations shown in audit report issued by the external auditors.
4. There were no penalties or preventive restrictions imposed on the Company during 2014, except for SR20,000 under CMA's resolution No. (2014-44-12) dated 16/07/2014 due to its violation of clause (B) of Article (40) of the Listing Rules. The Company's Preliminary financial results for the period ending on 31/12/2013 were posted couple of minutes after 9:00 am on 20/01/2014.
5. Neither the Company nor its subsidiary has issued or redeemed any debt or financial instruments such as stock options or stock rights that may be converted into shares.
6. There were no material contracts awarded to any related parties including the CEO, COO and CFO or any person related to any of them during the year, except as detailed in section X - "Related Party Transactions" of this report.

7. The details of all issued shares and debt instruments, including the subsidiary are detailed in relevant sections of this report. There were no outstanding loans during the year, except the loans taken by the subsidiary, as mentioned in section VII.
8. There were no loans given to any of its directors.
9. None of the members of the board of director/s or senior executive/s of the Company has waived any salary or compensation.
10. The Company has not made any deals relating to its own stocks.
11. There were no share dealings entered by the Company with any of its directors or immediate members of their families.
12. No waiver of rights has been received from any shareholder.
13. The Company has not made any investments or created reserves for its employees, except for, as is required by Saudi Labor Law and Company policies.

XV. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Board of Directors' Report for 2014.
2. Approval of the 2014 year-end financial statements and external auditors' report.
3. Approval of the appointment of external auditors for the year 2015 from amongst the firms nominated by the Audit Committee.
4. Absolving the Board of Directors of their responsibilities for the financial year ended 31/12/2014.
5. Approval of the businesses and agreements made between the company and related parties contained in Section X and to authorize the management to continue with similar transactions for 2015.

The Chairman and the Board of Directors express their appreciation and gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdullaziz Al-Saud; HRH Crown Prince Muqrin bin Abdullaziz Al-Saud, Deputy Prime Minister; HRH Deputy Crown Prince Mohammad bin Naif bin Abdullaziz Al-Saud, Second Deputy Prime Minister & Minister of the Interior; and the Government, for their continued cooperation and support.

Also they express their condolences to the Custodian of the Two Holy Mosques, the Royal Family and all citizens of the Kingdom of Saudi Arabia, with profound sorrow on the passing away of our benevolent King Abdullah Bin Abdullaziz Al-Saud, may Allah grant him mercy and forgiveness.

Thanks also to the Shareholders for their continued support, and the Executive Management and Staff of the Company for their great efforts, which helped to achieve the Company's goals in 2014.

BOARD OF DIRECTORS