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His Royal Highness
Mohamed Ben Nayef Ben Abdulaziz Al-Saud
Second Crown Prince, Second Deputy Prime
Minister, Minister of Interior

His Royal Highness
Prince Muqrin Ben Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister

Custodian of the Two Holy Mosques
King Salman Ben Abdul Aziz Al-Saud

Members of the Board of Directors

- ❶ Eng. Mubarak Ben Abdullah Al-Khafrah
Chairman of the Board
- ❷ Dr. Talal Ben Ali Al-Shair
Vice Chairman
- ❸ Dr. Nazeeh Ben Hassan Naseef
- ❹ Eng. Talal Ben Ibraheem Al-Mayman
- ❺ Eng. Salah Ben Abdulwahab Al-Terkait
- ❻ Eng. Bader Ben Ali Al-Dakhil
- ❼ Mr. Suliman Ben Abdulqader Al-Muhaideb
- ❽ Mr. Sabah Tayseer Barakat
- ❾ Mr. Ibraheem Ben Ali Al Qadhi
- ❿ Mr. Saud Ben Suliman Al Juhani



التصنيع TASNEE





Vision

To be a leader in its industries and keen on responsibility towards its stakeholders and society at large.

Mission

Achieving profitable and sustainable growth through the development of best business practices.



A Word from The Chairman

A Word from The Chairman



Eng. Mubarak Ben Abdullah Al-Khafrah

After the World Bank lowered its forecast for global economic growth during 2015 from 3.4% in June 2014 to 3%, in line with the United Nations' indicators, expectations of increase in the global economy growth vary from region to region with forecasts that economies of the United States of America and China will lead the growth at 3.2% and 7.1% respectively. The African economy is expected to grow by 4.6% in 2015, in condition of the recession of Ebola disease, and the economies of developing countries are expected to grow by 4.8% during this year despite the negative effects of the ongoing conflict in the Middle East.

Although the forecast for the Saudi economy refers to the decrease of growth from 4.2% in 2014 to 3.6% in 2015, and return to rise to 4.2% in 2016, with expectations of growth rise in the petroleum refining sector to 10% and that the non-oil sector will have a bigger role in driving growth to 5.3% during the new year. The oil prices as a strategic commodity cannot be predicted and the increase in oil prices during February 2015 only from \$48 per barrel to exceed the barrier of \$60 per barrel within one month, revives optimism that economic growth in 2015 will outperform the conservative predictions for the Saudi economy in all the petroleum and non-petroleum sectors.

At the domestic level in Tasnee, the company continued its plans to take advantage of the expected growth in demand for petrochemical products and titanium dioxide synchronizing with the expected growth in economies of China, India and the United States. Tasnee continued to improve its performance and enhance its capabilities and its position locally, regionally and internationally, and maintained its gains, achieved many accomplishments, completed the implementation and expansion of its projects and reached

advanced stages in the planning and study of a number of new projects.

In the field of social responsibility, Tasnee achieved distinct steps to diversify its programs in community service and take advantage of a range of initiatives within its strategic vision by allocating a fixed percentage of its annual profits to be spent on social responsibility programs.

Tasnee is conducting a range of studies that pave the way for establishment and participation in new industrial projects, and expanding the production capacity of some production lines at a number of its present factories, so as to boost confidence in its capacity growth and expanding and upgrading its capabilities to meet the growing needs of its customers both locally and globally. In conclusion, my colleagues members of the Board of Directors and I would like to express our thanks and appreciation for all employees in Tasnee group for their efforts exerted for Tasnee's success and its affiliates' progress, and we all welcome Engineer Mutlaq Hamad Al Morished, the new CEO of the company and wish him success and we invite everyone to provide him with every help and support in the implementation of his duties. We also pray that Allah perpetuates the good and welfare of our country and keep its security and stability under the guidance of our wise leadership, for He is able to do that.

Mubarak Ben Abdullah Al-Khafrah







Board of Directors' Report for 2014

Board of Directors' Report for 2014

Dear Respected
TASNEE Shareholders,

The Board of Directors of the National Industrialization Company (TASNEE) is pleased to present to shareholders its annual report, related to the activities and performance of the company for the fiscal year from January 1, 2014 to December 31, 2014, accompanied by the audited financial statements and notes attached thereto, including the most important developments in the performance and activities of the company as per the following details:

At Glance:

The National Industrialization Company (TASNEE) was established by the Ministerial Decree No. 601 of Dhu Al-Hijjah 24 1404H (1985). The Company's capital amounts to SR 6,689,141,660.

During 2014, TASNEE was able to maintain its gains inspite of instability of prices and global economic positions, and it continues working to improve its performance and strengthen its position.



First: Types of Company's Main Activities:

The activity of the Company is represented by investing in industrial field, transferring industrial advanced technology to Saudi Arabia in manufacturing and processing of petrochemicals and chemicals, engineering and mechanical industries, management and possession of industrial projects and marketing its products. The activities of affiliated companies, are represented in manufacturing and marketing the industrial products, and the activity of petrochemicals in the field of producing ethylene, polyethylene, propylene and polypropylene and acrylics. The industrial activity includes production and marketing of titanium dioxide and production of dry and liquid vehicle batteries, as well as production of lead, plastic products of various kinds and production of acrylic sheets. For the other activities, they include marketing plastic products and batteries, providing technical services, conducting technical testing to equipment and industrial, chemical, petrochemical and metallurgical plants and water desalination and power generation plants. Below is a table showing the impact of each activity on the volume of the Company's business:

	Industrial Sector	Petrochemical Sector	Head Office and other activities	Total
Percent of sales	47.9%	49.9%	2.2%	100%

Second: Future Plans, Prospects and Risks

A. Future Plans and Prospects:

In general, the Company is planning to continue improving performance, enhancing its gains, and developing capabilities, which in turn will help maintain the growth of profits and shareholders' equity. However, it is difficult to precisely predict future prospects for the company's future product prices, such as petrochemicals and chemicals in global markets, as they are linked to a number of changing global economic data and factors.

B. Risks:

The risks, to which the Company may be exposed, include:

- The company may be exposed to the risk of change in prices of raw materials on which the company depends largely, which are somehow related to the oil, gas and petroleum derivatives prices.
- Changes in the global economy may occur in terms of deflation and recession, which in turn may lead to reduced demand on the company's products or lower prices for these products.
- Any of the company's factories may be exposed to failures and stops where the company's performance depends on the level of the operational performance of the factories, which contain many technologies and equipment.
- The company may be exposed to the risk of fluctuation of foreign exchange rates.
- The company may be exposed to risks related to anti-dumping or antitrust laws.
- Finally, whereas the company operates in open local and international markets, the behavior of some competitors may have impact on the quantities and prices of sales.

Third: Assets, Liabilities and Business Results of Activities for the Last Five Fiscal Years:

TASNEE has a strong financial position and positive financial indicators. The table below shows its business outputs for the last five fiscal years:

Year	Amount in SR million				
	Total assets	Total liabilities	Shareholders' equity	Sales	Net profits
Dec. 31, 2010	34,704	20,248	9,262	15,993	1,473
Dec. 31, 2011	39,928	22,151	11,023	19,649	2,441
Dec. 31, 2012	45,610	26,000	12,067	17,922	1,764
Dec. 31, 2013	47,270	27,687	12,006	18,199	1,177
Dec. 31, 2014	47,892	28,913	11,626	18,693	1,071
Growth during 5 years	38%	42.80%	25.52%	16.88%	(27.29%)

Fourth: Geographic Analysis of Revenues:

Region	KSA	GCC	Middle East	Africa	Indian continent	East Asia	Europe	USA
Sales percent	10%	5%	3%	9%	11%	29%	15%	18%

Fifth: Loans received by the Company

Donor	Principal	Repaid during the year	Loan balance	Repayment period
Local banks	4,000,000,000	266,666,667	3,733,333,333	8 years
Sukuk	2,000,000,000	None	2,000,000,000	7 years

Sixth: Operating Results

The net profits for the period from January 1, 2014 to December 31, 2014, amounted to SR 1,070,545 a decrease of 9.09% compared to the last year. Noting that operating profit declined by 10.31% to 2,789,121 in 2014, compared to 3,109,832 in 2013. The reason for decline in the annual net profit for 2014, compared to the previous year, is mainly due to the lower profit margin in the sector of titanium dioxide because of the low prices, in addition to the negative impact of the results of the acrylic acid complex due to falling prices and sales, as the complex bears the depreciation expenses and financing because of the start of commercial production during the second half of 2014. The change in currency rates (Euro) negatively affected the results of a subsidiary.

The shareholders equity by the end of December 2014 was SR 11,626,285 a decrease of 3.16% from last year. Total assets by the end of December 2014 amounted to SR 47,891,714 an increase of 1.89% from last year.

The Company prepared its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants, which are and appropriate to the Company's circumstances, and are in conformity with the Saudi Regulations for Companies and the Company's by-laws.

Seventh: Affiliates

1. National Titanium Dioxide Co. "CRISTAL":

It is a limited liability company, based in Jeddah, with its operation facilities located in Yanbu Industrial City, in addition to its plants based in USA, Europe and Australia, with a capital amounting to SR 2,362,500,000 and TASNEE owns 66% of the company's shares, and TASNEE has entered into an acquisition agreement that will lead to the increase in its stake in Cristal to 79%.

2. Saudi Poly Olefins Company (SPC):

A limited liability company based in Jubail Industrial City with a capital amounting to SR 6,000,000,000. TASNEE owns 75% of the company shares.

3. TASNEE & Sahara Olefins Company:

A joint stock company – based in Riyadh, with its main operation office located in Jubail Industrial City. The number of issued shares of the company is 283,000,000. The shares are of equal value and the nominal value of each share is SR 10. TASNEE owns (directly and indirectly) 60.45% of the shares.

TASNEE & Sahara Olefins Company undertakes its activities through its affiliates as follows:

3.1 Saudi Ethylene and Polyethylene Company:

A limited liability company based and exercises its operations in Jubail Industrial City with a capital amounting to SR 2,737,520,000. TSOC owns 75% of its shares.

3.2 Saudi Acrylic Acid Company and its Derivatives (SAAC):

A limited liability company based in Riyadh, with the main office of its operations located in Jubail Industrial City with a capital amounting to SR1,777,000,000. TASNEE & SAHARA Olefins Company owns 65% of the company shares. Additionally, TASNEE owns a direct share of 13% of the company shares. This Company is working on establishing and operating a number of projects to constitute an integrated complex including an acrylic monomers plant for producing acrylic acid and butyl acrylate and another plant for producing super absorbent polymers. The company also provides utilities and services on commercial basis to other companies.

4. National Lead Smelting Company "RASASS"

A limited liability Company, based in Riyadh with a capital amounting to SR 44,000,000. TASNEE owns, directly and indirectly, 100% of the company's shares.

5. Rowad National Plastics Company "ROWAD"

A limited liability company based in Riyadh with a capital amounting to SR 268,000,000. TASNEE, directly and indirectly, owns 100% of the company's shares.

6. National Batteries Company "BATTARIAT"

A limited liability company, based in Riyadh with a capital amounting to SR 34,000,000. TASNEE owns 90% of the company's shares.

7. National Inspection and Technical Testing Company "FAHSS":

A limited liability company with a capital amounting to SR 7,170,000, based in Dammam, KSA, where the company exercises its operations. FAHSS has expanded its activities in the Gulf region through its affiliate "TUV – Middle East". TASNEE, directly and indirectly, owns 69.73% of the company's shares.

8. National Industrialization Petrochemicals Marketing Company

A limited liability company with a capital amounting to SR 5,000,000, based in Riyadh, and exercises its operation from Riyadh. TASNEE owns, directly and indirectly, 100% of the company's shares.

9. National Operation and Industrial Services Company "KHADAMAT":

A limited liability company with a capital amounting to SR 30,000,000, based in Riyadh. TASNEE owns 88.33% of the company's shares.

10. National Metal Manufacturing & Casting Co. (MAADANIAH)

A joint stock company, based in Jubail Industrial City. The issued shares of the company amounting to 28,112,098 of equal value; the nominal value of each is SR 10. TASNEE owns (directly and indirectly) 35.47% of the company's shares.

11. National Packing Products Company LTD. (WATAN PAC)

A limited liability company with a capital amounting to SR 25,000,000, based in Riyadh. TASNEE owns 42.6% of the company's shares.

Eight: Profit Distribution Policy:

The profit distribution decision lies within the powers undertaken by the General Assembly pursuant to a recommendation made by the Company's Board of Directors. The decision primarily depends on the amount of net profits realized in each year and the size of expenditure expected on future investment projects and on expected cash flows.

The general policy for the distribution of profits pursuant to Article 17-4 of the Company's by-laws provides for distributing the net annual profits of the company after deducting all general expenses and the other costs as follows:

- Amount of Zakat shall be set aside,
 - Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve, which the General Assembly may suspend whenever it reaches half the capital,
 - Out of the balance of the profits, there shall be paid to the Shareholders an initial payment of five percent (5%) of the paid-up capital,
- The remaining balance shall be distributed among the Shareholders as an additional share of the profits, pursuant to articles 13-10 (B) and 17-5.

Ninth: Formation of the Board of Directors:

According to Article (12-1) of the Company's by-laws, the Board of Directors shall be composed of 10 (ten) members. The ordinary General Assembly meeting (19), held on Saturday, April 6, 2013, elected the Directors in its tenth session for a three-year term as of July 5, 2013, and up to June 5, 2016 as follows:

	Name	Membership class	Board Membership in Other Joint Stock Companies
1	Eng. Mubarak Ben Abdallah Al Khafrah Chairman of the Board	Executive member	<ul style="list-style-type: none"> • Saudi Hollandi Bank • Malath Insurance Company • TASNEE & SAHARA Olefins Company
2	Dr. Talal Ben Ali Al-Shair Vice Chairman	Executive member	<ul style="list-style-type: none"> • Salam Co. • Al Masane Al Kobra Mining Company • Fiber Glass Oasis Co. • Al-Madina Co. for Industrial Investments • TASNEE & SAHARA Olefins Company
3	Eng. Talal Ben Ibraheem Al Mayman	Independent member	<ul style="list-style-type: none"> • Kingdom Holding Company • Saudi Group for Researches and Marketing • Flynas

	Name	Membership class	Board Membership in Other Joint Stock Companies
4	Dr. Nazeeh Ben Hassan Naseef	Non-Executive Member	<ul style="list-style-type: none"> • Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO)
5	Eng. Salah Ben Abdulwahab Al Terkait	Independent Member	<ul style="list-style-type: none"> • IKARUS Petroleum Industries Company (Kuwait) • United Stainless Steel Co (Bahrain) • United Sulb Co. (Foulath), Bahrain • Bahrain Steel Company
6	Eng. Sabah Tayseer Barakat	Independent Member	<ul style="list-style-type: none"> • Aluminum Product Companies
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Independent Member	<ul style="list-style-type: none"> • ACWA Power International • Paper Middle East • Swicorp • Abdulqader Muhaideb & Sons Co. • Al Oula • Almarai • Savola Group • SABB
8	Mr. Badr Ben Ali Al-Dakhil	Non-Executive Member	
9	Mr. Ibrahim Ben Ali Al-Qadhi	Non-Executive Member	<ul style="list-style-type: none"> • Kuwait Clearing Company (Kuwait) • Al-Rawabi Dairy (Dubai)
10	Mr. Saud Ben Suliman Al-Juhani	Independent Member	<ul style="list-style-type: none"> • Tabuk Cement Co. (TCC)

Tenth: Interests of the Board members & senior executives in the company's shares:

	Name	Representing	No. of shares Owned			
			As of Jan. 1, 2014		Dec. 31, 2014	
			For the Board Member	For the entity the member represents	For the Board Member	For the entity the member represents
1	Eng. Mubarak Ben Abdallah Al-Khafrah	Himself	1,233,996	-	1,443,196	-
2	Dr. Talal Ben Ali Al-Shair	Himself	1,452	-	1,452	-
3	Eng. Talal Ben Ibraheem Al Mayman	Himself	21,661	-	271,661	-
4	Dr. Nazeeh Ben Hassan Naseef	SPIMACO	19,000 2,925*	35,096,971	-	35,096,971
5	Eng./ Salah Ben Abdulwahab Al Terkait	Himself	52,280	-	52,280	-
6	Eng. Sabah Tayseer Barakat	Himself	1,000	-	1,000	-
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Himself	1,452	-	1,452	-
8	Mr. Badr Ben Ali Al-Dakhil	GOSI	1,800	58,147,209	1,800	58,147,209
9	Mr. Ibrahim Ben Ali Al-Qadhi	Gulf Inv. Corp.	-	43,833,665	-	43,833,665
10	Mr. Saud Ben Suliman Al-Juhani	Public Pension Agency	-	27,208,636	-	27,208,636
* For Dependents						
Senior executives	Saleh Ben Fahd Al-Nazha	CEO till end of 2014	-	-	-	-
	Abdul Rahman Abdul Aziz Al-Salem	Vice President for Strategic Planning	5,690	-	-	-
	Fayez Ben Abdullah Al-Asmari	Vice President for Finance	38,673	-	38,673	-
	Ahmed Ben Mohammed Al-Bassam	Vice President for Business Development	18,331	-	18,331	-
	Mohammed Ben Ibrahim Al-Bibi	President of TASNEE Petrochemical Complex in Jubail	-	-	1,500	-
	Fahd Ben Abdul Aziz Al-Bahoth	Board secretary	-	-	-	-

Eleventh: Board of Directors Meetings:

During 2013, the Board held six (6) meetings, with attendance as follows:

Meeting	Date	Attendance of the Board Members
First	Feb. 19, 2014	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.
Second	April 1, 2014	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.
Third	May 27, 2014	Eng. Mubarak Ben Abdullah Al Khafrah, Eng. Talal Ben Ibraheem Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.
Fourth	Sept. 16, 2014	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Almayman, Dr. Nazeeh Ben Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Almohaideb, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.
Fifth	Dec. 23, 2014	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Almayman, Dr. Nazeeh Ben Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.

Twelfth: Indemnities & Benefits of the Board Members and Senior Executives:

In SR	Executive Members of the Board	Non-Executive/ independent Members of the Board	Five Senior Executives who received the highest benefits & indemnities including executive manager & finance manager
Salaries & indemnities	-	-	19,677,893
Allowances	375,888		
Periodical & annual compensation	5,000,000	1,320,000	4,824,956
Indemnities & real benefits	158,915	104,100	

Thirteenth: The Board Committees

The Board of Directors approved the regulations for the Executive Committee, Audit Committee, and Nomination and Remuneration Committee. These regulations defined all of these committees' formation, membership duration, tasks, powers, procedures and work method and meetings, and members' obligations and remunerations. These committees are formed as following:

The Executive Committee:

The Executive Committee shall mainly undertake the functions of making any significant executive and strategic decisions in accordance with its mandate approved by the Board. It is formed as follows:

Eng. Mubarak Ben Abdallah Al Khafrah, Chairman

Dr. Talal Ben Ali Al-Shair,

Eng. Talal Ben Ibraheem Al Mayman,

Nazeeh Ben Hassan Naseef

This committee held 6 meetings during 2014.

Audit Committee:

This committee shall undertake its functions in accordance with applicable rules, regulations and standards. It also evaluates internal control, while adhering to audit standards approved in the Kingdom, as well as complying with the Company's regulations. The Audit Committee is composed of:

Eng. Sabah Tayseer Barakat, Committee Chairman

Mr. Badr Ben Ali Al-Dakhil

Mr. Mohammed Ben Abdul-Aziz Al-Krida

Mr. Rashed Ben Ibrahim Shereif

The Audit Committee held 4 meetings during 2014.

Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall undertake the function of making recommendations to the Board about any matters related to nominations for the Board membership, review of the needs, required qualifications and skills, review of the Board structure, identification of strengths and weaknesses, ensuring the independence of independent members, ensuring that there is no conflict of interest, and developing policies for the indemnities and compensation for the Board members and senior executives. The Nomination and Remuneration Committee is composed of:

Mr. Suliman Ben Abdulqader Al-Muhaideb, Committee Chairman

Dr. Talal Ben Ali Al-Sha'er

Eng./ Salah Ben Abdulwahab Al Terkait

Mr. Ibrahim Ben Ali Al-Qadhi

Mr. Saud Ben Suliman Al-Juhani

The Nomination and Remuneration Committee held 1 meeting during 2014.

Fourteenth: The company was subjected to a fine from the Capital Market Authority of 70 thousand Saudi riyals, because of the delay in the announcement of the company's preliminary financial results for the period ending on 30/06/2014, as the company did not disclose until (10:08 hrs) i.e., less than two hours before the beginning of trading period, noting that the intended disclosure was on Sunday 23 Ramadan, where duty hours start in Ramadan month as exception time (9:30 am). The company sent the statement electronically to Tadawul website at (9:31). The reason for the delay in publication of the statement after that is due to the reviews of specialists in «Tadawul» and the amendment requests by them. The company confirms that it will take all necessary measures to ensure compliance with regulations and instructions of the Capital Market Authority.

Fifteenth: Annual Audit Findings: Effective Internal Control Procedures:

The Company's Internal Audit Department has adopted operational auditing of the Company and its subsidiaries. An annual audit plan, taking into account the risks of work environment and audit trail duration, is prepared and presented by the Internal Audit Department to the Audit Committee for approval. Then field inspections to the audited entities are made by the audit teams for making interviews with the concerned officials and examining samples of operations based on a professional audit program, which ensures that the details of each audit are covered. The audit team then prepares and discusses audit findings in detail with the relevant department, and obtains documented responses on each finding. Then recommendations are made to make the necessary correction and issue the final report, which is presented to the officials of the audited department and to the high management of TASNEE. The audit report is also submitted to and discussed with the Audit Committee at one of its meetings, while following up the corrective actions made and reporting to the Audit Committee on a regular basis.

Based on the foregoing, the approved audit plan for the fiscal year 2014 has been implemented, and filed reports were submitted as described above. The Audit Committee has also reported to the Board of Directors the results of its operations during the year. The Audit Department indicated that there are no material misstatements in the internal audit reports, and its evaluation of the internal control systems is adequate for maintaining the Company's assets and property and sound operations.

Sixteenth: Zakat and Statutory Payments:

Zakat due on National Industrialization Company alone amounted to SAR 50,757,000 for 2014, and payments for the General Organization for Social Insurance subscriptions totaled SAR 3,077,911.

Seventeenth: Corporate Governance:

The Board of Directors approved the Corporate Governance Guidelines, to which the Company adheres and comply with its rules. TASNEE also applies most of the rules contained in the Corporate Governance Regulations issued by the Saudi Capital Market Authority, and finalizes setting a number of policies and procedures in the form of regulations.

Rules of the corporate governance regulation that have not been applied in the company are detailed as follows:

Article No.	Content	Reasons for non-application
3	The right to a share of the Company's assets upon liquidation	There is no provision for this in the Company's by-laws, although this is decided by the Saudi Regulations for Companies
6 (B)	Accumulative voting to select the members of the Board	Voting to select the members of the Board, based on the Company's by-laws, is traditionally carried out in accordance with Saudi Regulations for Companies. On April 4, 2012, the Company's by-laws was presented to the General Assembly for amendment by introducing accumulative voting for selecting the Board members. However, the suggested amendment was not approved.
10 (E)	Developing a written policy that regulates the relationship with stakeholders	Contracts ensure this matter, and the company is not in need of Developing a written policy for that.
12 (D)	It is prohibited to conjoin the position of the Chairman of the Board of Directors with any other executive position in the company	The Company's practicality and interest requires the Board Chairman to undertake some of the executive duties.

Eighteenth: The Company Auditors:

In its twentieth meeting held on April 1, 2014, the ordinary General Assembly approved appointing Ernst & Young (Certified Public Accountants) as auditors of the company's accounts for the fiscal year ending December 31, 2014.

Nineteenth: Social Responsibility:

The company is keen to play its role in social responsibility as dictated by religious belief, patriotism and moral ethics. A fixed percentage of the company's annual profits is directed to contribute to the community service through attention to social and health issues, rehabilitation, training and skills development, education and awareness, in addition to the commitment to occupational safety standards and environment maintenance. The

company is also playing its essential role in the diversification of the productive base of the national economy and adding value to the national products, which requires research and development, localization techniques, updating continuous production and administrative methods, in addition to the training of national labor and employment, investment in remote locations to contribute to the infrastructure of civilization and cultural change in the community. In recognition of these efforts, Tasnee was honored by the Arab Organization for Social Responsibility and received the Golden Award of Arab Social Responsibility for the third year consecutively.

Twentieth: Manpower & Training

The personnel of the company as of December 31, 2014 amounted to 1,463 employees, of whom 915 are Saudi nationals. This also includes the company's employees in petrochemical factories in Jubail, but it does not include the affiliates' employees.

Twenty First: TASNEE Program for Housing Loans

The company's management has approved a program for housing loans, aiming to help Saudi staff to own proper housing through interest-free loans from the Company. During 2014, the program's loan payments amounted to SR 37,520,838.

Twenty Second: Disclosures and Representations

1. Conflict of Interests:

The Board of Directors confirms that none of the board members has any interest directly or indirectly in the business and the contracts of the company, except that the Board member Mr. Ibrahim bin Ali Alkadi who serves as CEO of Gulf Investment Corporation (a major shareholder in the company) and represents it in the board of Tasnee, where Tasnee has signed with GIC in 04/12/2014 an agreement under which TASNEE is to acquire 13% of the total share Of National Titanium Dioxide Co. Ltd (Cristal). However, the board member Mr. Ibrahim Alkadi did not take part in the deliberations and decision of the Board of Directors regarding this transaction. The transaction was announced to the public through the disclosure of the company in "trading" website on 07/12/2014. The agenda of General Assembly of Tasnee shareholders included an item whereby the transaction to be presented to the Assembly for approval.

The board of directors also declares that all members of the Board of Directors have no part in any action that would compete with the company, or trading in a branch of activity practiced by it. The company did not lend or guarantee any of the members of the Board of Directors against any loan or commitment of any kind.

2. Related Party Transactions:

There have been no contracts with related parties with members of the Board of Directors, the Managing Director, his deputies, the chief financial officer or any of their relatives, except for the said person in paragraph (1) above, regarding the transaction between the company and Gulf Investment Corporation, represented in the board by Mr. Ibrahim Alkadi.

3. The Board of Directors declares the following:

- 3.1 The accounting records have been prepared properly,**
- 3.2 That the internal control system has been prepared on sound basis and implemented effectively,**
- 3.3 That there is no little doubt about the company's ability to continue its activity.**

Conclusion:

At the end of the report, the Board of Directors is pleased to extend their sincere thanks and appreciation to the Company's shareholders for their valuable support and confidence. They also thank all TASNEE employees for their fruitful efforts, as well as partners and customers in Saudi Arabia and throughout the world for their valuable trust and cooperation.





اطلبها بالإسم

NBC Your Battery Technologist

شهران لمدة شهرين

A Word from The CEO

Spark German Technology

HORIZON AUTOMOTIVE BATTERIES JAPAN

IGNITER CALCIUM BATTERY 12V - 55AH

ACTRON 12V 55AH

A Word from The CEO



Eng. Mutlaq Ben Hamad Al-Morished

Tasnee continues its national role in contributing to the development of industry in Saudi Arabia, add value to Saudi products and reflect a positive bright image at the regional and international levels. The company continues to develop its plans to take advantage of the expected growth in demand for petrochemical products and titanium dioxide in line with the expected growth in the economies of the United States, China and India. Tasnee continues to improve its performance and enhance its capabilities and its position locally, regionally and internationally, to maintain its gains and realize many achievements in production, operation, making profits, expansion and contribution to the community service.

At the level of profits, Tasnee achieved a net profit during 2014 amounted to SAR 1,070,545, while the shareholders' equity amounted to SAR 11,626,285, and the assets of the company increased by the end of 2014 to SAR 47,891,714, with an increase of 1.89% from last year.

At the level of expansion, Tasnee strengthened its stake in Cristal company and increased it from 66% to 79%, while work continues on the Ilmenite processing project in Jizan Industrial City for the completion of related projects. It is expected that the commercial operation of the Ilmenite project starts by the end of the first quarter of 2015. Tasnee started production of super-absorbent polymers from its acrylic acid complex in Jubail Industrial City and work began in Butanol project, which is expected to start commercial operation by the end of the first quarter of 2016 in partnership with Saudi Kayan Company and Sadara Chemicals Co. Regarding Alrowad Co. projects in Hail city, the construction and rehabilitation works are going on the project, while the training of personnel is in progress to manage and operate the project.

At the level of contribution to the community service, Tasnee provided, sponsored and supported a wide range of cultural, rehabilitation, social and health programs, which qualified the company to reap the Excellence Award in the Arab Social Responsibility for the third year consecutively, according to the classification of the Arab Organization for Social Responsibility.

With the beginning of 2015, Tasnee starts a new phase in its development, based on its rich history and booming present to take its place and move steadily towards a promising future, continuing its ambitions to achieve manufacturing option and push the development forward with the diversification of the productive base of the national economy, satisfy the requirements of its customers around the world and reach them wherever the sun shines.

Finally, I pray to Allah to assist the employees to complete the company's process towards development and prosperity, and to work with our Board of Directors to gain the confidence of our shareholders and contribute to the good of Tasnee in particular and the Saudi economy in general. I would also like to thank all the efforts of everyone who put a brick in the building and contributed to the success of such a large entity within the march that lasted for three decades and was full of effort, work and excellence.

Mutlaq Ben Hamad Al-Morished



Company Directory







National Titanium Dioxide Company Ltd. "CRISTAL"

Establishment Date	: 1988.	
Major Shareholders	: National Industrialization Company	66%
	Gulf Investment Corporation	33%
	Dr. Talal Ben Ali Al Sha'er	1%
Objective & Activities	: Producing Titanium Dioxide pigment and using it in producing a group of products.	
Products	: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.	
Markets	: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.	
Location	: The headquarter is situated in the 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah. P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia Tel.: 0096612 652 9966, Fax: 0096612 652 9933	
E-mail	: info@crystalglobal.com	
Website	: www.crystalglobal.com	
Location of factory	: Yanbu Industrial City, P.O.Box 30320, Tel.No.: 014 321 2800, Fax No.: 014 396 1018	

Advanced Minerals Industries Company (AMIC)



Establishment Date	: 2013.	
Major Shareholders	: National Industrialization Company	50%
	National Titanium Dioxide Co Ltd (CRISTAL)	50%
Objective & Activities	: Establishing industrial projects related to Titanium and other materials.	
Location	: The 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah.	
	P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia	
	Tel.: 0096612224800, Fax: 00966126069087	
E-mail	: info@cristalglobal.com	
Website	: www.cristalglobal.com	



Ilmenite Slagger

Establishment Date	: 2013.
One of AMIC Projects	
Objective & Activities	: Producing Ilmenite to be used in Titanium Dioxide Production.
Products and Production Capacity	: Titanium Slag 500,000 ton High Purity Pig Iron (HPPI) 235,000 ton
Location	: The 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah. P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia Tel.: 0096612224800, Fax: 00966126069087
E-mail	: info@crystalglobal.com
Website	: www.crystalglobal.com
Location of factory	: Jazan Industrial City, Tel.No.: 00966173407062

Saudi Polyolefins Company (SPC)



Establishment Date	: 2001.	
Major Shareholders	: National Industrialization Company	75%
	: Basell Moyen Orient Investissements	25%
Objective & Activities	: Producing Polypropylene which is used as a basic raw material in plastic carpets, containers, filling boxes, plastic bags, and textile industries.	
Products and Production Capacity	: Propylene	455,000 ton
	: Polypropylene	720,000 ton
Markets	: 30% Local and GCC countries	
	: 70% World market	
Location	: TASNEE Petrochemical Complex in Jubail.	
Address	: P.O. Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	Tel.: 0096613 358 2000, Fax: 0096613 358 2558	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



TASNEE & SAHARA Olefins Co.

Establishment Date	: 2006.	
Major Shareholders	: National Industrialization Company	60.45%
	Sahara Petrochemical Company	32.55%
	General Organization for Social Insurance.	7%
Objective & Activities	: Establishments, managements, operations and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities	
Location	: The headquarter is situated in Riyadh Business Gate, Building C3, Cordoba, eastern ring road. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 0096611 222 2205, Fax: 0096611 400 2255	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	

Saudi Ethylene and Polyethylene Company (SEPC)



Establishment Date	: 2006.	
Major Shareholders	: TASNEE & SAHARA Olefins Co.	75 %
	: Basell ME Holding Co.	25 %
Objective & Activities	: Producing Ethylene Propylene to be used in plastic industries.	
Products	: 400,000 HDPE	
	: 400,000 LDPE	
	: 285,000 Propylene	
Markets	: 30% Local and GCC countries	
	: 70% World Market	
Address	: TASNEE Petrochemical Complex in Jubail.	
	: P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	: Tel.: 0096613 358 2000, Fax: 0096613 358 2558	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



Saudi Acrylic Acid Company (SAAC)

Establishment Date	: 2009.	
Major Shareholders	: TASNEE & SAHARA Olefins Co.	65 %
	National Industrialization Co.	13 %
	SAHARA Petrochemicals Co.	22 %
Objective & Activities	: Establishing, Mannaging, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.	
Address	: The Headquarters is situated in Riyadh P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 0096611 476 7166, Fax: 0096611 477 0898	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	

Saudi Acrylic Monomers Company (SAMCO)



Establishment Date	: 2009.
Major Shareholders	: Saudi Acrylic Acids Company (SAAC) 75 % Dow Chemical Company (Acquired American Rohm & Haas) 25 %
Objective & Activities	: Producing Acrylic Acid, Row Acrylic Acid, and Butyl Acrylate.
Products	: 230,000 Acrylic Acid and Butyl Acrylate
Markets	: 30% Local and GCC countries 70% World Markets
Address	: The Headquarters is located in Jubail Industrial City P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 358 2000, Fax: 0096613 358 2558
E-mail	: general@tasnee.com
Website	: www.tasnee.com



Superabsorbent Polymers Company (SAPCO)

Establishment Date	: 2009.	
Major Shareholders	: Saudi Acrylic Acids Company (SAAC)	75 %
	: EVONIK	25 %
Objective & Activities	: Producing Superabsorbent Polymers.	
Products	: 80,000 SAP	
Markets	: 30% Local and GCC countries	
	: 70% World Market	
Address	: The Headquarters is located in Jubail Industrial City P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 00966133582000, Fax: 00966133582558	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



National Industrialization Petrochemical Marketing Company



Establishment Date	: 2001.
One of TASNEE Affiliates	
Objective & Activities	: Marketing Chemicals and Petrochemicals.
Markets	: Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, Africa, and far East.
Location	: The headquarter is situated Riyadh Business Gate, Building C3, Cordoba, eastern ring road. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 0096611 222 2205, Fax: 0096611 417 4198
E-mail	: info@tasneemarketing.com
Website	: www.tasneemarketing.com



Rowad

ROWAD National Plastic Company Ltd. "ROWAD"

Establishment Date	: 1992.
One of TASNEE Affiliates	
Objective & Activities	: Plastic converters and specialized engineering polymer products manufacturers.
Products	: "ROWAD PLASTIC" core business activities are in manufacturing the plastic sheets (such as polycarbonate, acrylic, ABS, polystyrene sheets), manufacturing the injection products (such as automotive batteries cases & covers, paint pails & covers), recycling waste plastic materials (such as recycling of Polypropylene (PP) automotive batteries.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter and factories are at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: +966 11 265 1966, Fax: +966 11 265 1973
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com



ROWAD International Geosynthetics Co.Ltd.



Establishment Date	: 2006.
One of ROWAD affiliates	
Objective & Activities	: Specialized Industrial Insulation materials.
Products	: "ROWAD GEO" core business activities are in manufacturing the Polyethylene (PE) Ge o-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) rolls as single or double smooth & textured sided liners used for protection, transportation, collection and containment of liquids, solids and gases in a variety of construction applications.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter is located at Second Industrial City in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: +966 11 265 1966, Fax: +966 11 265 1973 Factory is located at Second Industrial Zone in Dammam
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com



ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

Establishment Date	: 2008.
Major Shareholders	: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC" 62.5% National Industrialization Petrochemical Marketing Co. 37.5%
Objective & Activities	: Packaging Films.
Products	: "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter is located at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: +966 11 265 1966, Fax: +966 11 265 1973 Factory is located in Dammam
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com



National Batteries Company (BATTARIAT)



Establishment Date	: 1993.	
Major Shareholders	: National Industrialization Company	90%
	: Local Partners	10%
Objective & Activities	: Production of automotive.	
Products	: Trade marked automotive batteries.	
Markets	: Kingdom of Saudi Arabia and the neighbouring countries.	
Location	: 2nd Industrial City 3rd Zone - Riyadh	
	: P.O.Box 177 - Riyadh 11383, Kingdom of Saudi Arabia	
	: Tel.: 011 265 0019, Fax: 011 265 0057	
E-mail	: nbc@battariat.com	
Website	: www.battariat.com	



National Lead Smelting Co. (RASASS)

Establishment Date	: 1990.
One of TASNEE Affiliates	
Objective & Activities	: Recycling of used car batteries, and production of Lead, Polypropylene, and Sodium Sulphate from the recycled batteries.
Products	: Lead and Sodium Sulphate.
Markets	: Saudi Arabia, GCC countries.
Location	: 2nd Industrial City 3rd Zone - Riyadh
Address	: P.O.Box: 43169 Riyadh 11561, Kingdom of Saudi Arabia Tel.: 011 265 2424, Fax: 011 265 2223
E-mail	: info@rasass.com.sa
Website	: www.rasass.com.sa



National Operation and Industrial Services Co. (KHADAMAT)



Establishment Date	: 1986.	
Major Shareholders	: National Industrialization Company	88.3%
	: Local Partners	11.7%
Objective & Activities	: Marketing, Sale and distribution of industrial products, including car batteries, plastic sheets, imports & exports, trading agencies for industrial products, investment in industrial services fields including environment preservation services, quality services and technical testing.	
Markets	: Domestic & Regional markets.	
Location	: New Aqaria Building	
	: First Tower	
	: Sitteen Street - Malaz	
Address	: P.O.Box: 86868 Riyadh 11632, Kingdom of Saudi Arabia	
	: Tel.: 011 476 2800, Fax: 011 476 0088	
E-mail	: khadamatbp@hotmail.com	



National Technical Inspection and Testing Ltd Co. (FAHSS)

Establishment Date	: 1986	
Major Shareholders	: National Industrialization Co.	30.68%
	National Operation and Industrial Services Co (Khadamat)	44.21%
	TUV NORD International German Co.	25.11%
Objective & Activities	: Providing technical inspection and testing, Maintenance and Calibration, Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), measurement and standardization of the measuring equipment and systems, and training on all these services.	
Markets	: Kingdom of Saudi Arabia.	
Address	: Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia. Tel.: 0096613 840 8333, Fax: 0096613 840 6476	
E-mail	: info@fahss.com - sales@fahss.com	
Website	: www.fahsstuv.com	
Branches	: Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 340 7607, Fax: 0096613 340 7605 E-mail: info@fahsstuv.com Website: www.fahsstuv.co Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 341 9453 / 0096613 341 9452 / 0096613 341 9451, Fax: 0096613 341 7628 E-mail: info@gems-calibration.com Website: www.gems-calibration.com	



TVU Middle East Company



Establishment Date	:	2004	
Major Shareholders	:	National Industrialization Co.	30.68%
	:	National Operation and Industrial Services Co (Khadamat)	44.21%
	:	TUV NORD International German Co.	25.11%
Objective & Activities	:	Providing technical inspection and testing, Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), providing specialized training services in several technical, engineering and managerial domains through the academy of distinguished level (TUV Academy).	
Markets	:	GCC countries and some other Arab countries.	
Location	:	Head Quarter: P.O. Box 26674, Manama, Kingdom of Bahrain Tel.: 00973 1 787 7391, Fax: 00973 1 787 7392	
E-mail	:	samsonb@tuv-nord.com	
Website	:	www.tuv.me.com	
Branches	:	AbuDhabi Branch: P.O. Box 46030, Abu Dhabi – UAE Tel: 00971 2 447 8500, Fax: 00971 2 447 8600 E-mail: abudhabi@tuv-nord.com	
	:	Dubai Branch: P.O. Box 79123, Dubai – UAE Tel: 00971 4 345 6431, Fax: 00971 4 345 6373 E-mail: dubai@tuv-nord.com	
	:	Qatar Branch: P.O. Box 24922, Doha – Qatar Tel: 00974 4 620 186, Fax: 00974 4 620 216 E-mail: qatar@tuv-nord.com	
	:	Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait Tel: 00965 246 5962, Fax: 00965 246 5964 E-mail: kuwait@tuv-nord.com	
	:		



National Metal Manufacturing & Casting Co. (MAADANIAH)

Establishment Date	: 1991	
Major Shareholders	: National Industrialization Company	35.46%
	: Other Shareholders	64.54%
Objective & Activities	: Manufacturing wires & metal products.	
Products	: Various kinds of steel wires, various kinds of truck axles, casting, and spare parts.	
Markets	: Kingdom of Saudi Arabia, GCC Countries, Arab Countries.	
Location	: Al-Jubail Industrial City	
Address	: P.O.Box: 10882 Al-Jubail Industrial City 31961. Tel.: 0096613 358 8000 Fax: 0096613 358 3831	
E-mail	: natmetal@natmetalco.com	
Website	: www.natmetalco.com	



National Packing Products Company LTD (WATAN PAC)



Establishment Date	: 1984	
Major Shareholders	: Asir Company	50.40%
	: National Industrialization Company	42.60%
	: Local Partners	07.00%
Objective & Activities	: Production and marketing of corrugated cartons.	
Products	: Production of corrugated carton for all sectors and usages.	
Markets	: Kingdom of Saudi Arabia, GCC Countries and Arab Countries.	
Location	: 2nd Industrial City - Riyadh	
Address	: P.O.Box: 25817 Riyadh 11476.	
	: Tel.: 0096611 265 2211 Fax: 0096611 265 2483	
E-mail	: info@watanpac.com.sa	
Website	: www.watanpac.com.sa	





Consolidated Financial Statements

31 December 2014





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ص.ح. ١٠٢٩٢٩٢٣

إرنست و يونغ
محللون ماليون
صندوق بريد ٧٧٧٢
الطابق ٦ و ١١، برج الفيصلية
شارع الملك فهد
الرياض ١١٥٦١، المملكة العربية السعودية



AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INDUSTRIALIZATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of National Industrialization Company (the "Company") – a Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in 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 degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

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

- i) i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and the results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


Fahad M. Al Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 5 Jamada Awal 1436H
(24 February 2015)

	Note	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,086,687	5,181,716
Investments in held for trading securities	5	477,387	-
Accounts receivable	6	4,136,519	3,978,162
Inventories	7	5,781,491	5,806,037
Prepayments and other current assets	8	1,408,924	882,005
TOTAL CURRENT ASSETS		15,891,008	15,847,920
NON-CURRENT ASSETS			
Investments in available for sale securities	10	764,749	871,885
Investments in associated companies and others	11	989,037	743,170
Property, plant and equipment	12	23,992,638	17,436,798
Projects under progress	13	2,077,787	7,875,553
Intangible assets	14	3,275,549	3,294,264
Other non-current assets	15	900,946	933,747
TOTAL NON-CURRENT ASSETS		32,000,706	31,155,417
TOTAL ASSETS		47,891,714	47,003,337
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short term facilities and murabaha	16	1,217,349	975,795
Accounts payable	17	1,402,906	1,667,091
Accrued expenses and other current liabilities	18	2,083,611	2,410,685
Current portion of long term loans	20	2,872,140	3,142,097
TOTAL CURRENT LIABILITIES		7,576,006	8,195,668

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2014 (SR'000)

Annual Report
2014

	Note	2014	2013
NON-CURRENT LIABILITIES			
Sukuk and long term loans	20	19,948,116	17,369,004
Derivative financial instruments	35	16,223	33,809
Employees' terminal benefits		329,564	270,655
Other non-current liabilities	23	1,043,522	1,550,690
TOTAL NON-CURRENT LIABILITIES		21,337,425	19,224,158
TOTAL LIABILITIES		28,913,431	27,419,826
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	24	6,689,142	6,689,142
Statutory reserve		1,141,862	1,034,807
Retained earnings		4,343,178	4,385,059
Unrealized gains on revaluation of investments in available for sale securities	10	192,180	316,402
Other reserves	26	(740,077)	(419,277)
TOTAL SHAREHOLDERS' EQUITY		11,626,285	12,006,133
Minority interests	36	7,351,998	7,577,378
TOTAL EQUITY		18,978,283	19,583,511
TOTAL LIABILITIES AND EQUITY		47,891,714	47,003,337

* The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014 (SR'000)

	Note	2014	2013
Sales		18,692,580	18,198,970
Cost of sales		(14,080,096)	(13,361,706)
GROSS PROFIT		4,612,484	4,837,264
Selling and marketing expenses	27	(935,003)	(855,164)
General and administrative expenses	28	(906,913)	(893,657)
Company's share in net income of associated companies and others	11	18,553	21,389
INCOME FROM MAIN OPERATIONS		2,789,121	3,109,832
Other income, net	29	55,784	85,895
Provision for legal litigations	30	-	(187,500)
Financial charges	16,20	(759,216)	(653,631)
INCOME BEFORE ZAKAT, INCOME TAX AND MINORITY INTERESTS		2,085,689	2,354,596
Zakat and income tax of subsidiaries	19	(187,161)	(76,725)
Minority interests	36	(777,226)	(1,075,271)
INCOME BEFORE ZAKAT		1,121,302	1,202,600
Zakat	19	(50,757)	(25,163)
NET INCOME FOR THE YEAR:		1,070,545	1,177,437
Earnings per share for the year (SR): Attributable to:	31		
Income from main operations		4,17	4,65
Net income for the year		1,60	1,76

* The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014 (SR'000)

Annual Report
2014

	2014	2013
OPERATING ACTIVITIES		
Net income for the year	1,070,545	1,177,437
Adjustments for:		
Company's share in net income of associated companies	(18,553)	(21,389)
Depreciation	1,574,482	1,313,185
Reverse provision for impairment of projects under progress, net	(31,863)	-
Amortization and Impairment of non-current assets	148,564	199,118
Losses from sale of property, plant and equipment	46,741	43,875
Fair value of forward contracts	120,946	-
Amortization of deferred gains	(28,066)	(28,066)
Provision for legal litigations	-	187,500
Minority interests	777,226	1,075,271
Employees' terminal benefits, net	58,909	60,816
Cash from operations	3,718,931	4,007,747
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	(685,276)	(307,527)
Inventories	80,902	(292,552)
Other non-current assets	16,451	(80,004)
Accounts payable, accrued expenses and other current liabilities	(384,708)	492,410
Other non-current liabilities	(157,795)	(318,050)
Net cash from operating activities	2,588,505	3,502,024
INVESTING ACTIVITIES		
investments in available for sale securities, net	(17,086)	(15,817)
Investments in associated companies and others, net	(232,314)	(285,322)
Investments in held for trading securities, net	(477,387)	-
Additions of property, plant and equipment	(1,483,220)	(1,048,420)
Proceeds from sale of property, plant and equipment	7,786	677

* The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014 (SR'000)

	2014	2013
Projects under progress, net	(938,318)	(2,025,408)
Intangible assets, net	(98,537)	137,047
Net cash used in investing activities	(3,239,076)	(3,237,243)
FINANCING ACTIVITIES		
Short term facilities and murabaha, net	241,554	784,724
Sukuk, long term loans and derivative financial instruments	1,970,769	247,291
Obligations under capital leases	(650,804)	(192,946)
Dividends paid	(1,003,371)	(1,337,828)
Minority interests	(1,002,606)	(1,040,019)
Net cash (used in) from financing activities	(444,458)	(1,538,778)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,095,029)	(1,273,997)
Cash and cash equivalents at the beginning of the year	5,181,716	6,455,713
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,086,687	5,181,716
NON-CASH TRANSACTIONS:		
Projects under progress transferred to property, plant and equipment	6,701,629	-
Projects under progress transferred to inventory	66,318	-
property, plant and equipment transferred to Intangible assets	1,337	27,049
Unrealized gains on revaluation of investments in available for sale securities	(124,222)	284,867
Other reserves	(320,800)	(183,720)

* The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014 (SR'000)

Annual Report
2014

	Shareholders' equity								
	Note	Share capital	Statutory reserve	Retained Earnings	Unrealized gains on revaluation of investments in available for sale securities	Other Reserves	Total shareholders' equity	Minority interests	Total equity
Balance at 31 December 2013		6,689,142	917,063	4,665,194	31,535	(235,557)	12,067,377	7,542,126	19,609,503
Net income for the year		-	-	1,177,437	-	-	1,177,437	-	1,177,437
Net movement during the year	36	-	-	-	-	-	-	35,252	35,252
Transfer to statutory reserve		-	117,744	(117,744)	-	-	-	-	-
Board of directors remuneration	25	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends paid	25	-	-	(1,337,828)	-	-	(1,337,828)	-	(1,337,828)
Net change during the year from:									
- Cash flow hedges	26	-	-	-	-	(25,454)	(25,454)	-	(25,454)
- Foreign currency translation adjustments	26	-	-	-	-	(239,865)	(239,865)	-	(239,865)
- Pension liability adjustments	26	-	-	-	-	81,599	81,599	-	81,599
- Other		-	-	-	284,867	-	284,867	-	284,867
Balance at 31 December 2014		6,689,142	1,034,807	4,385,059	316,402	(419,277)	12,006,133	7,577,378	19,583,511
Net income for the year		-	-	1,070,545	-	-	1,070,545	-	1,070,545
Net movement during the year	36	-	-	-	-	-	-	(225,380)	(225,380)
Transfer to statutory reserve		-	107,055	(107,055)	-	-	-	-	-
Board of directors remuneration	25	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends paid	25	-	-	(1,003,371)	-	-	(1,003,371)	-	(1,003,371)
Net change during the year from:									
- Cash flow hedges	26	-	-	-	-	96,432	96,432	-	96,432
- Foreign currency translation adjustments	26	-	-	-	-	(317,394)	(317,394)	-	(317,394)
- Pension liability adjustments	26	-	-	-	-	(15,791)	(15,791)	-	(15,791)
- Difference in acquisition of Minority interest		-	-	-	-	(84,047)	(84,047)	-	(84,047)
- Other		-	-	-	(124,222)	-	(124,222)	-	(124,222)
Balance at 31 December 2014		6,689,142	1,141,862	4,343,178	192,180	(740,077)	11,626,285	7,351,998	18,978,283

* The attached notes 1 to 39 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

National Industrialization Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984).

The principal activities of the Company and its subsidiaries comprise of industrial investment, transfer of advanced industrial technology to the Kingdom in particular, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulfate. It also includes conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing of acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, polyethylene, propylene and polypropylene, owning mines and specialized operations for the production of Al-Rutayl which is the raw material for producing the Titanium Dioxide.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the assets, the liabilities and the results of operations of National Industrialization Company and its subsidiaries (the "Group"). A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases.

Minority interest has been calculated and reflected separately in the consolidated balance sheet and consolidated statement of income. All significant inter-group balances and transactions have been eliminated at consolidation.

All subsidiaries were incorporated in the Kingdom of Saudi Arabia, except for TUV – Middle East, which was incorporated in the Kingdom of Bahrain.

The following are the subsidiaries included in these consolidated financial statements and the direct and indirect ownership percentages:

Company's name	Legal form	Ownership (%)	
		2014	2013
Al-Rowad National Plastic Co. (Rowad) and its subsidiaries (1)	Limited liability	100	100
National Industrialization Petrochemical Marketing Co.	Limited liability	100	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	100	100
National Gulf Company for Petrochemical Technology	Limited liability	100	100
National Industrialization Company for Industrial Investments	Limited liability	100	100
Saudi Global Makasib for Trading and Industry	Limited liability	100	100
National Petrochemical Industrialization Company	Limited liability	100	100
National Lead Smelting Ltd. Co. (Rassas) and its subsidiary (2)	Limited liability	100	74.90
National Operation and Industrial Services Co. (Khadamat)	Limited liability	88.33	88.33
National Batteries Co. (Battariat)	Limited liability	90	90
Saudi Polyolefins Co.	Limited liability	75	75
The National Titanium Dioxide Ltd. Co. (Cristal) and its subsidiaries (3)	Limited liability	66	66
Advanced metals Industries Complex Co., Ltd (3)	Limited liability	83	-
Tasnee and Sahara Olefins Co. and its subsidiaries (4)	Saudi closed joint stock	60.45	60.45
Saudi Acrylic Acid Company Ltd. Co. (SAAC) (4)	Limited liability	52.29	52.29
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	69.73	69.73
TUV – Middle East	Limited liability	69.73	69.73

2. BASIS OF CONSOLIDATION (continued)

2.1 Al-Rowad National Plastic Co. (Rowad)

Al-Rowad National Plastic Co. owns 97% and 62.5% of equity interest in Rowad International Geosynthetics Co. Ltd. and Rowad Global Packing Co. Ltd. respectively, which are Saudi Limited Liability Companies registered in Riyadh.

2.2 National Lead Smelting Co. (Rassas)

National Lead Smelting Co. owns 100% (Direct and Indirect ownership) of equity interest in Technical Tetravalent Company for Lead Recycling, a Saudi Limited Liability Company registered in Jeddah.

During the year ended 31 December 2014, National Industrialization Company made an acquisition of the remaining shares from the minority partners of National Lead Smelting Company for a price of SR 170 million, which they have the a 100% of ownership (direct and indirect). The result of that acquisition an SR 84 million represents the difference in acquisition of minority interest. This has been classified among other reserves under equity.

2.3 The National Titanium Dioxide Company Limited (Cristal)

The National Titanium Dioxide Company Limited (Cristal) is a Saudi Limited Liability Company with its head office based in Jeddah .

Cristal owns 100% of equity interest of the following subsidiaries: Cristal Inorganic Chemicals Ltd. located in Cayman Island, Cristal Australia P.T.Y. Ltd. Located in Australia and Cristal U.S.A. located in the United States of America.

During December 2014, National Industrialization Company signed an agreement of purchasing additional share of 13% from the minority partners in Cristal Company for a total amount of SR 1,806 Million, and the related statutory formalities will be completed at the first quarter of 2015 (note 8). During the year ended 31, December 2014, The Advanced Minerals Industries Complex Co., Ltd. Was established by direct ownership of 50% for each of the national industrialization and Cristal Company, which is a Saudi limited liability company registered in Jeddah with a capital of SR 3 million. The purposes of the company are the establishment of industrial projects related to different kinds of titanium metal and related materials. The company's factories are currently under construction.

The main objectives of the Company and its subsidiaries are the production and marketing of Titanium Dioxide.

2.4 Tasnee and Sahara Olefins Co.

Tasnee and Sahara Olefins Co. owns 75% of equity interest in Saudi Ethylene and Polyethylene Company, a Saudi Limited Liability Company registered in Al-Jubail.

Tasnee and Sahara Olefins Co. owns 65% of equity interests in Saudi Acrylic Acid Company, a Saudi Limited Liability Company registered in Riyadh, with a capital of SR 1,777 million. Furthermore, Saudi Acrylic Acid Company owns

75% of equity interest in Saudi Acrylic Monomer Company, a Limited Liability Company with a capital of SR 1,084 million, and 75% of Saudi Polymor Arcylic Company equity (a Saudi Limited Liability Company), has been established at Jubail Industrial City, with a capital of SR 416.4 million. During the year ended 31 December 2013, Saudi Butanol Company (a Saudi Limited Liability Company) in which the company holds 33.3% of equity (Note 11) has been established at Jubail Industrial City, with a capital of SR 476 million. On 1 July 2014, the Saudi Polymor Arcylic Company and Saudi Acrylic Monomer Company and utilities and services Unit have commenced their commercial operations .

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies are as follows:

Accounting convention

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of Investments in held for trading securities and investment in available for sale securities and derivative financial instruments.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and investments readily convertible into known amounts of cash and have an original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Cost of raw materials, consumables, spare parts and finished goods is determined on a weighted average cost basis. Cost of work in progress and finished goods includes cost of material, labor and an appropriate allocation of indirect overheads.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in held for trading securities

Investments in readily marketable securities which are bought for trading purposes are stated at fair value. Change in fair value of these investments is recognized in the consolidated statement of income.

Investments in available for sale securities

Investments in available for sale securities that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at their fair values. Differences, if material, between the fair value and the cost are shown separately in the shareholders' equity. Any decline in value, considered to be other than temporary, is charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value.

Investments in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the capital. Investments in associates are accounted for using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

Investments in a jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The Group accounts for these entities in the consolidated financial statements using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

Investments in other companies

Investments in other companies are the Group's investments of less than 20% of the capital of the investee companies. Investments in other companies are shown at fair value or at cost if the fair value is not available, less any other than temporary decline in value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value except for freehold land and capital works in progress which are stated at cost and are not depreciated. Expenditures on maintenance and repairs are considered operating expenses, while expenditure for improvements are considered capital expenditure. Depreciation is calculated over the estimated useful lives of the applicable assets using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvements or lease period. Assets held under capital leases are depreciated over the shorter of the useful life of the asset or the lease period.

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

	Years
Buildings and constructions	10-40
Leasehold improvements	Shorter of the lease term or useful life.
Machinery and equipment	5-20
Tools	4-14
Furniture, fixtures and office equipment	3-10
Vehicles	4-5
Computers	3
Wells development	5-30
Catalysts	1.5

Projects under progress

Projects under progress include costs that are directly and indirectly related to the projects and are capitalized when the project is completed.

Intangible assets**Goodwill**

The excess of consideration paid over the fair value of net assets acquired is recorded as "goodwill". Goodwill is periodically tested for impairment and reported in the consolidated financial statements at carrying value, adjusted for impairment in value, if any. The carrying amount of negative goodwill, if any, is netted off against the fair value of non-current assets.

Pre-operating costs

Pre-operating costs are deferred or capitalized during the development and trial operation period of the new projects which are expected to generate future economic benefits. These costs are amortized as of the date of the commencement of the commercial operations using the straight-line method over the shorter of the estimated useful life or 7 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Computer softwares operation costs

Computer softwares operation costs are amortized using the straight-line method over a period of five years from the date of commencement of operation.

Research and development costs

Research and development costs are charged to the consolidated statement of income during the year incurred, except for the clear and specified projects, in which development costs can be recovered through the commercial activities generated by these projects. In this case, the development costs are considered intangible assets and are amortized using the straight-line method over a period of 7 years.

Other intangible assets

Other intangible assets, consist primarily of trademarks, trade names, technology and customer relationships, are valued at fair value with the assistance of independent appraisers, effective from the date of acquisition of the subsidiary. Trade name is considered an intangible asset with indefinite life and is not being amortized but instead, annually is tested for impairment, or when events indicate that an impairment may exists.

Other intangible assets also include patents and license costs. These assets are amortized using the straight line method over the shorter of their estimated useful lives or the terms of the related agreements.

Deferred financing costs

Deferred financing costs are amortized using the straight line method over the term of the related loans.

Exploration costs

Pre-licensing costs are charged to the consolidated statement of income when incurred. Exploration costs including licensing cost are capitalized as exploration cost based on an area in which the benefit is derived and subject to technical and commercial feasibility of the project. When a license is cancelled, the related costs are charged directly to the consolidated statement of income.

Once a technical and commercial viability of extracting mineral resources is determined, then the related exploration cost will be capitalized and then amortized over the estimated period of benefits.

Turnaround costs

Periodic turnaround costs are capitalized and amortized using the straight-line method over the period extended until the next periodic turnaround. In case of an early turnaround, unamortized cost is charged directly to the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized in the consolidated statement of income.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to a stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Investment income earned on investments of specifically borrowed funds that are pending expenditure on the projects under construction is deducted from the capitalized borrowing costs.

Payables and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Dividends

Final dividends are recorded as Liabilities when approved by the general assembly of shareholders.

Provisions

Provisions are recognized in the consolidated balance sheet when an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Zakat and income tax

Zakat

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Differences, resulting from the final assessments are recognized in the year of their finalization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements. For the subsidiaries that are outside the Kingdom of Saudi Arabia, tax liabilities are provided in accordance with relevant tax jurisdictions in these countries and the Company's share is included in the consolidated statement of income.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for all temporary differences at the taxation rates applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Leases

Operating leases

Rentals payments under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

Capital leases

Leases and, sale and leaseback transactions are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Group within property, plant and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of return on the remaining balance of the obligations for each accounting period.

Gains from increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments

The Group uses derivative financial instruments such as currency options and interest rate swaps to hedge the exposure to foreign exchange risks arising from operating, financing and investing activities and certain portions of interest rate risks arising from financing activities. The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract inception date and are measured subsequently at fair value.

Changes in the fair value of derivative financial instruments that are designated as effective cash flows hedges are recognized in other reserves under shareholder's equity, if material, while the ineffective portion is recognized in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, the associated gain or loss on the derivative that had previously been recognized in shareholder's equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in shareholder's equity are recognized in the consolidated statement of income in the same period in which the hedged item affected net profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in shareholder's equity is retained in shareholder's equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's equity is transferred to the consolidated statement of income for the year.

Employees' terminal benefits

Provision is made in the consolidated financial statements for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to one half of the capital. This reserve is not available for distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales

Sales represent the invoiced value of goods delivered to customers and are recognized upon the delivery of goods and are stated net of trade or quantity discounts.

Some of subsidiary companies market their products through subsidiaries owned by the shareholders (referred hereto as "the marketers"). Sales are made directly to the final customers and to the off-takers in Europe. Sales made through distribution stations of the off-takers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the off-takers from the final customer after deducting the cost of shipping, distribution and marketing.

Expenses

Selling and marketing expenses principally comprise of costs incurred in marketing and sale of the subsidiaries products. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically attributable to cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Minority interests

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Losses applicable to the minority interest in excess of its share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Financial statements of foreign subsidiaries are translated into Saudi Riyals using the exchange rate at each consolidated balance sheet date for assets and liabilities, and the average exchange rates for each year for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are included under other reserves within shareholder's equity.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in selling/providing products or services (a business segment) or in selling/providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4. CASH AND CASH EQUIVALENTS

	2014 SR'000	2013 SR'000
Bank balances and cash on hand	1,222,363	1,653,878
Short term deposits and murabaha	2,864,324	3,527,838
	4,086,687	5,181,716

Short-term deposits and murabaha are placed for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

5. INVESTMENTS IN HELD FOR TRADING SECURITIES

Investments in held for trading securities represent investment in mutual funds in local banks, these investments are stated at fair value and the unrealized gains or losses on revaluation of these investments are recognized in the consolidated statement of income under other income .

6. ACCOUNTS RECEIVABLE

	2014 SR'000	2013 SR'000
Trade accounts receivable	2,481,066	2,715,509
Amounts due from related parties (note 9)	1,746,086	1,358,828
Less: provision for doubtful debts	(90,633)	(96,175)
	4,136,519	3,978,162

7. INVENTORIES

	2014 SR'000	2013 SR'000
Finished goods	2,715,107	2,877,561
Raw materials	1,818,281	1,714,030
Spare parts	765,968	644,765
Work in progress	499,873	577,457
	5,799,229	5,813,813
Less: provision for slow moving inventories	(17,738)	(7,776)
	5,781,491	5,806,037

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2014 SR'000	2013 SR'000
Prepaid expenses	427,243	303,874
Advances to acquire an additional share of minority partners in a subsidiary	375,000	-
Non-trade receivables	332,431	267,400
Employees' receivables	182,971	149,418
Advances to suppliers	82,626	147,162
Other current assets	8,653	14,151
	1,408,924	882,005

9. RELATED PARTY TRANSACTIONS AND BALANCES

Some of the subsidiaries have signed marketing and sales agreements with their foreign partners (referred to as the "marketers"), whereby the marketers agreed to market the Companies products at pre-agreed prices in accordance with the agreements. The agreements specify the marketing responsibilities, quantities to be marketed by the marketers, geographical territories in which the products are to be sold, the price calculation formula, payment terms and other obligations.

The following are the details of major related party transactions during the year:

Related party	Nature of transaction	Amount of transaction	
		2014 SR'000	2013 SR'000
Affiliate	Sales to the marketers	6,254,109	4,686,249
Board of directors, committees and senior personnel	Allowances, expenses, salaries and benefits	21,229	21,232

Amounts due from related parties as at 31 December are as follows:

	2014 SR'000	2013 SR'000
Bassel Asian Pacific Company	653,148	692,641
Bassel International for Trading (F.Z.E)	555,398	495,107
Bassel for Sales and Marketing Company	242,658	116,001
Sahara and ma'aden Petrochemical Company	103,714	-
Evonik Tasnee Marketing Company LTD.	63,502	-
Dow Chemical Pacific	56,055	-
Evonik Industries AG	46,402	-
Al Wahah for Chemicals Company	16,922	42,057
Other	8,287	13,022
	1,746,086	1,358,828

Amounts due from / to related parties are shown in notes 6 and 17, respectively.

10. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This represents the Groups' investments in local quoted companies for an amount of SR 490,194 thousands (2013: SR 605,229 thousands) and international companies for an amount of SR 274,555 thousands (2013: 266,656 thousands).

The movement of the investments during the year was as follows:

	2014 SR'000	2013 SR'000
Cost:		
At the beginning of the year	555,483	539,666
Additions	33,706	15,817
Disposals	(16,620)	-
At the end of the year	572,569	555,483
Unrealized gains (losses):		
At the beginning of the year	316,402	31,535
Unrealized (Losses) gains during the year	(101,290)	284,867
Disposals	(22,932)	-
At the end of the year	192,180	316,402
Net book value	764,749	871,885

Dividends received from investments in available for sale securities amounted to SR 47.6 million (2013: SR 34.5million), also the gain from sale of securities available for sale amount to SR 19.8 million (2013: SR 495 thousands) which was recorded under other income .

11. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHERS

Investments in associated companies and others as at 31 December were as follows:

	Ownership Percentage		2014 SR'000	2013 SR'000
	2014	2013		
Associated companies				
National Metal Manufacturing and Casting Co. (Maadania)	35.45%	35.45%	137,950	130,591
National Packing Products Co. Ltd (Waten-Pac)	42.60%	42.60%	30,567	32,585
Clariant Masterbatches Saudi Arabia Ltd (*)	40.00%	-	123,894	-
Total investments in associated companies			292,411	163,176
Jointly controlled entity				
Saudi butanol Co. Ltd (**)	33.3%	33.3%	449,850	330,750
Other investments			246,776	249,244
Total investments in associated companies and others			989,037	743,170

(*) During the year 2014, Al-Rowad National Plastic Company (a subsidiary) invested by 40% in the capital of Clariant Masterbatches Saudi Arabia Company, a mixed Saudi limited liability company registered in Riyadh and the company is engaged in the production of plastic colorants.

(**) During the year 2013, Saudi Acrylic Acid company (a subsidiary) in cooperation with Sadara Chemical Company and Saudi Kayan Petrochemical Company, had established Saudi Butanol Company Ltd (in equity interest of 33.3% for each) a Saudi limited liability company registered in Jubail city. The company is engaged in producing of Butanol and Isobutanol and their derivatives (note 13).

The movement of investments in associated companies and others was as follows:

	2014 SR'000	2013 SR'000
Balance at the beginning of the year	743,170	457,459
Company's share in net income for the year	18,553	21,389
Additions during the year	238,956	364,007
Disposals during the year	(5,000)	(81,685)
Dividends received	(6,642)	(18,000)
Balance at the end of the year	989,037	743,170

12. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Machinery and equipment	Tools	Furniture, fixtures and office equipment	Motor vehicles	Computers	Wells development	Catalysts	Capital works in progress	Total 2014	Total 2013
SR'000											
Cost:											
At the beginning of the year	1,953,860	19,420,018	7,629	157,526	73,898	24,694	1,243,285	57,721	1,784,080	24,722,711	23,993,235
Additions	4,169	193,002	2	61,287	6,429	227	4,973	-	1,372,228	1,642,317	1,341,803
Disposals	(3,814)	(103,449)	(24)	(7,149)	(4,576)	(15)	-	-	(6,443)	(125,470)	(117,213)
Transfers	1,943,252	5,279,114	-	662	569	-	(476)	-	(521,492)	6,701,629	-
Foreign currency translation adjustments, net	(41,614)	(158,962)	-	(76,515)	-	-	(46,759)	-	(16,950)	(340,800)	(495,114)
At the end of the year	3,855,853	24,629,723	7,607	135,811	76,320	24,906	1,201,023	57,721	2,611,423	32,600,387	24,722,711
Depreciation:											
At the beginning of the year	536,731	6,183,528	3,394	66,964	59,729	18,948	408,834	7,785	-	7,285,913	6,247,120
Charge for the year	130,989	1,224,540	41	70,518	6,177	1,255	120,465	20,497	-	1,574,482	1,313,185
Disposals	(23)	(60,080)	(16)	(6,305)	(4,513)	(6)	-	-	-	(70,943)	(72,661)
Foreign currency translation adjustments, net	(14,850)	(100,268)	-	(23,659)	-	-	(42,926)	-	-	(181,703)	(201,731)
At the end of the year	652,847	7,247,720	3,419	107,518	61,393	20,197	486,373	28,282	-	8,607,749	7,285,913
Net book value:											
At 31 December 2014	3,203,006	17,382,003	4,188	28,293	14,927	4,709	714,650	29,439	2,611,423	23,992,638	
At 31 December 2013	1,417,129	13,236,490	4,235	90,562	14,169	5,746	834,451	49,936	1,784,080		17,436,798

- During 2007, the Group signed sale and leaseback agreements with a group of lenders. Property, plant and equipment as at 31 December 2014 include certain sold and leased back assets for purpose of ownership with a total value of SR 1.5 billion (2013: SR 1.5 billion). In addition, as at 31 December 2014, property, plant and equipment include leased assets held under capital leases with a book value of SR Nil (2013: SR 656 million).
- Land, buildings and constructions include non-depreciable land with a total cost of SR 109 million (2013: SR 109 million).
- Land, buildings and constructions include the cost of leasehold improvements with a net book value of SR 12.7 million, as of 31 of December 2014 (2013: SR 18.1 million)
- Capital work in progress as at 31 December 2014 and 2013 mainly consist of costs of expansion of housing project for employees, safety and environment improvement costs, competency costs, cost saving and other factories owned by some of the subsidiaries, and the expansion of the facilities of production lines and Poly - Propylene Factory. The capitalized borrowing costs during the year 2014 amounted to SR 1.1 million (2013: SR 6.7 million).
- Certain factories and facilities of the subsidiaries are situated on land leased from the Royal Commission for Jubail and Yanbu at nominal rents, for periods up to 30 years, renewable for further periods.
- Certain subsidiaries' property, plant and equipment are mortgaged as security against loans extended to those companies (notes 16 and 20).

13. PROJECTS UNDER PROGRESS

Projects under progress balance as at 31 December is as follows:

	2014 SR'000	2013 SR'000
The National Titanium Dioxide Company (Cristal) (a)	1,858,658	1,381,046
Saudi Acrylic Acid Company Ltd and its Subsidiaries (b)	-	6,481,680
Other projects	219,129	12,827
	2,077,787	7,875,553

A. Cristal projects as at 31 December 2014 mainly consist of cost of establishing a factory for processing of Almnit as an additional source of the raw-materials for the production of Titanium Dioxide at Jizan. The total estimated cost of the project is SR 2 billion, and it is anticipated that the project will commence production during 2015. Where the projects will be transferred to advanced metals Industries Complex Co., Ltd. (a subsidiary) when starting a commercial activity (Note 2).

B. The projects of Saudi Acrylic Acid Company Ltd. (a subsidiary) consist of costs incurred by its subsidiaries to set up Acrylic Monomers plant, and Acrylic Polymers plant in Jubail Industrial City and the project of public utilities for industrial plants and N-Butyl acetate plant. The project costs consist of employees costs, site preparation costs, purchase of equipment for projects installation costs, professional fees, borrowing costs, license fees and consulting fees. On 1 July 2014 the Saudi Polymor Arcylic Company and Saudi Acrylic Monomer Company and utilities and services unit have commenced their commercial operations . and it has been transferred those projects to property, plant and equipment and intangible assets, during the year 2014 the company stop the N-Butyl acetate plant due to lack of economic feasibility, and it has been written off amounts that have been spent on the project, amounting to SR 8,502 thousands, and was recorded under general and administrative expenses (Note 28).

During 2013, the legal formalities to establish Saudi Butanol Company Limited were completed (note 11). Accordingly, The plant which is under construction in Jubail Industrial City was transferred to the Saudi Butanol Company Limited. The plant will produce of Butanol and Isobutanol, that provide assistance to domestic and ancillary industries. The plant is expected to start its commercial productions during 2015.

During 2014, an amount of SR 26 million (2013: SR 195 million) has been capitalized, representing borrowing cost directly related to the projects under progress.

14. INTANGIBLE ASSETS

The intangible assets as at 31 December comprise of the following:

	2014 SR'000	2013 SR'000
Goodwill (a)	2,538,181	2,538,181
Software implementation, technology and other intangible assets, net	731,195	744,301
Pre-operating expenses and deferred costs, net	6,173	11,782
	3,275,549	3,294,264

A. Goodwill**1. Impairment review**

Goodwill is tested annually for any impairment by the Group's management. To perform that, each subsidiary company is considered as a cash-generating unit. As a result of the goodwill test performed at the level of the Group during the year ended 31 December 2014, no impairment loss was recognized.

2. Basis of determining the recoverable amount

Goodwill's recoverable amount is determined using the value in use method calculations using discounted cash flows based on projected cash flows of cash generating units and approved by management for a period of five years. An estimated growth rate was used for the period of cash flows over 5 years. The management believes that the estimated growth rate does not exceed the average growth rate for the long term that is used in the activities practiced by the respective subsidiary. The discount rate used was pre-tax and reflect specific risks relating to the activities in which the respective subsidiary operates. From reviewing the present value, it was found that the recoverable value is sensitive to changes in the rates of long-term growth, terminal growth rate, discounted rate, assumptions relating to working capital and capital expenditures during the period.

15. OTHER NON-CURRENT ASSETS

	2014 SR'000	2013 SR'000
Deferred taxes	547,330	568,256
Exploration and evaluation costs, net	244,087	249,319
Turnaround costs, net	44,528	56,719
Others	65,001	59,453
	900,946	933,747

16. SHORT TERM FACILITIES AND MURABAHA

During 2014, the Group obtained short-term credit facilities with a total amount of SR 1,449 million (2013: SR 1,794 million). The outstanding balance of these facilities as at 31 December 2014 amounted to SR 1,217 million (2013: SR 976 million). These facilities are secured by promissory notes issued to banks and financial institutions, and certain financial covenants, and carry commissions at prevailing commercial rates.

During 2013, one of the subsidiary companies had signed an Islamic murabaha financing agreement with certain local banks with a total value of SR 656.3 million, whereby this agreement, the Company have the option to renew these loans for further terms. As the subsidiary company has already renewed these loans for a further terms more than one year, these loans for 2013 have been reclassified under sukuk and long term loans .

17. ACCOUNTS PAYABLE

	2014 SR'000	2013 SR'000
Trade payables	1,400,365	1,661,150
Amounts due to related parties (note 9)	365	1,171
Other payables	2,176	4,770
	1,402,906	1,667,091

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2014 SR'000	2013 SR'000
Accrued expenses	953,552	957,179
Other payables	353,457	219,939
Provision for zakat and tax	286,039	284,825
Accrued employees' benefits	200,054	246,518
Derivative financial instruments	120,946	37,786
Dividends payable	76,235	71,795
Provision for research and development	42,585	120,446
Deferred gains on sale and leaseback transactions (note 21)	7,016	28,066
Current portion of obligations under capital leases (note 22)	-	187,500
Provision for legal litigations (note 30)	-	187,500
Other current liabilities	43,727	69,131
	2,083,611	2,410,685

19. ZAKAT**Charge for the year**

Zakat charge for the year amounting to SR 50,757 thousand consists of the provision for the current year (2013: SR 25,163 thousand).

The Company and its subsidiaries, submit their financial statements and zakat and tax returns to the Department of Zakat and Income Tax "DZIT" separately.

The movement in the provision during the year

The movement in zakat provision during the year was as follows:

	2014 SR'000	2013 SR'000
At the beginning of the year	51,112	27,482
Paid during the year	(11,978)	(1,533)
Provided during the year	50,757	25,163
Zakat provision	89,891	51,112

19. ZAKAT (continued)

Status of zakat assessments

The Company received the zakat assessments for all years up to 2007. The Company has paid the zakat due for the fiscal years 2008 through 2013 based on zakat returns but has not yet received the final zakat assessments from DZIT.

During 2013, some of the subsidiaries received revised assessments from the DZIT claiming an additional zakat liability of SR 101 million for the year 2002 and years 2009 to 2011. The company has submitted an appeal against these assessments, and the management believes that no material liability is likely to arise.

20. SUKUK AND LONG TERM LOANS

	2014 SR'000	2013 SR'000
Sukuk:		
First issue	2,000,000	2,000,000
Loans:		
Saudi Industrial Development Fund (a)	1,799,290	1,012,200
Commercial banks and others (b)	19,377,147	17,775,013
Total sukuk and long term loans	23,176,437	20,787,213
Less: current portion	(2,872,140)	(3,142,097)
Deferred financing costs, net	(356,181)	(276,112)
Non-current portion	19,948,116	17,369,004

Sukuk

On 30 Jumada Thani 1433H, (corresponding to 21 May 2012), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1,000,000 each with no discount or premium. This is the first issuance of sukuk under Sukuk program approved to be issued on various periods since the total value of this program equals the paid up capital of the Company as at 31 March 2012. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a pre-determined margin, payable semi-annually in advance. The Sukuk is due at maturity at par value on its expiry date of 16 Ramadan 1440 H (corresponding 12 May 2019).

20. SUKUK AND LONG TERM LOANS (continued)

Loans

A. Saudi Industrial Development Fund

The Group obtained long term facilities from the Saudi Industrial Development Fund for an amount of SR 2,399 million (2013: SR 1,547 million). The total outstanding balance of these loans as at 31 December 2014 amounted to SR 1,799 million (2013: SR 1,012 million). Saudi Industrial Development Fund received as collateral against these loans mortgages on all property, plant and equipment of the subsidiaries, for which loans were granted, promissory notes and personal and joint guarantees from the partners. The loan agreements contain certain covenants which among others, require that the Company maintains a ceiling for capital expenditures and minimum level for the net worth and current ratio.

B. Commercial banks and others

The Group obtained long term loan facilities from commercial banks for a total amount of SR 23,586 million (2013: SR 20,707 million). The outstanding balance of these loans as at 31 December 2014 amounted to SR 19,377 million (2013: SR 17,775). These loans are secured by promissory notes, mortgages on certain assets and property, plant and equipment of subsidiaries and personal and corporate guarantees of the partners. These facilities include credit facilities agreements with first degree of guarantee amounting SR 3,300 million.

During 2013, the Company signed murabaha financing agreement with a group of local and GCC banks for an amount of SR 4 billion. These loans are repayable in eight years by equal semi-annual instalments, and are secured by promissory notes. The major portion of this amount has been used to settle all the remaining outstanding amounts of certain long term loans with certain local banks. As a result of this refinancing transaction, an amount of 9,972, which represents the outstanding amount of deferred financing costs related to such settled loans, has been written off and charged as a part of financial charges in the consolidated statement of income.

These loans carry commission based at normal commercial rates.

Credit facilities above include some of the commitments that restrict certain elements, subject to exception, such as seizing, sales and lease back transactions and certain payments, sales of assets and transactions of associated companies and mergers or acquisitions. The company is also restricted to a maximum of capital expenditures in the year and required to maintain specific financial ratio levels.

On 6 July 2007, one of the subsidiaries collected an amount of SR 656.25 million (equivalent to USD 175 million) from senior unsecured debt securities which carry interest at 9.375% and due on July 15, 2014. Interest on these securities is due on 15 January and 25 July of each year. These securities are listed in the Singapore Stock Exchange and the book value has been shown net of capitalized borrowing costs. The debt was settled during 2014.

21. DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS

This represents deferred gains resulting from sale and leaseback of the property, plant and equipment of one of the subsidiaries (note 12) where these gains are amortized over the lease period.

	2014 SR'000	2013 SR'000
Total deferred gains at the beginning of the year	35,082	63,148
Gains recognized during the year	(28,066)	(28,066)
Total deferred gains at the end of the year	7,016	35,082
Less: current portion	(7,016)	(28,066)
Non-current portion	-	7,016

22. OBLIGATIONS UNDER CAPITAL LEASES

The minimum lease payments for the three years subsequent to 2014 and in aggregate are as follows:

	2014 SR'000	2013 SR'000
Within: one year	-	187,500
two years and more	-	468,750
Net minimum lease payments	-	656,250
Less: current portion (note 18)	-	(187,500)
Less: deferred financing costs, net	-	(5,446)
Non-current portion	-	463,304

At the end of 2014, one of the subsidiaries has paid the full remaining amount of obligations under capital leases by obtaining Murabaha loan of SR 1,700 million from local banks (Note 20).

23. OTHER NON-CURRENT LIABILITIES

	2014 SR'000	2013 SR'000
Deferred income tax liabilities	612,876	634,387
Provision for maintenance and mine closure	128,063	95,625
Pension and other post-retirement benefits	101,926	118,204
Asset retirement obligation	84,653	98,755
Le Havre restructuring accruals	9,368	11,839
Deferred gains on sale and leaseback transactions (note 21)	-	7,016
Obligations under capital leases (note 22)	-	463,304
Others	106,636	121,560
	1,043,522	1,550,690

24. SHARE CAPITAL

Share capital amounting to SR 6,689,142 thousands as at 31 December 2014 (2013: SR 6,689,142 thousands) consisting of 668,914 thousand shares (2013: 668,914, thousands shares) of SR 10 each.

25. DIVIDENDS

The Company's General Assembly, in its meeting held on 1 Jumada thani 1435H (corresponding to 1 April 2014) approved the Board of Directors' recommendation to distribute annual cash dividends for 2013 amounting SR 1.5 per share and to disburse Board of Directors remuneration amounting to SR 2 million.

The Company's Extraordinary General Assembly, in its meeting held on 25 Jumada Awal 1434H (corresponding to 6 April 2013) approved the Board of Directors' recommendation to distribute annual cash dividends for 2012 amounting SR 2 per share and to disburse Board of Directors remuneration amounting to SR 2 million.

26. OTHER RESERVES

Other reserves consist of the following principal items :

A. Cash Flow Hedges

The change in cash flow hedges represents the difference arising from transfer of the outstanding long term loans denominated in foreign currencies to Saudi Riyal at exchange rates ruling at the consolidated balance sheet date and are considered as hedging instruments against expected future income denominated in the same currency. This also includes the difference arising from fair value measurements of the effective portion of derivative financial instruments (interest rate swaps) at the consolidated balance sheet date, which is a hedging instrument against the designated hedges item, being foreign currency loans based on LIBOR rates. These differences are treated as unrealized differences in equity as per accounting policies.

B. Foreign currency translation adjustment

Foreign currency translation adjustments comprise all foreign exchange differences arising from translation of the financial statements of foreign subsidiaries, as well as from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

C. Pension liability adjustments

This represents amendments to pension funds obligations in overseas subsidiaries arising from pension programs set up for eligible staff in the areas of foreign jurisdictions.

27. SELLING AND MARKETING EXPENSES

	2014 SR'000	2013 SR'000
Freight and transportation	715,716	638,279
Employees' salaries and related benefits	124,227	126,297
Distributors' incentives	44,361	49,257
Others	50,699	41,331
	935,003	855,164

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR'000	2013 SR'000
Employees' salaries and related benefits	446,651	404,393
Research and development	130,395	144,163
Professional fees	99,671	134,324
Depreciation and amortization	58,920	56,401
Travel	35,328	30,193
Charitable contributions and social activities	34,543	22,050
Rent	23,214	22,351
Others	78,191	79,782
	906,913	893,657

29. OTHER INCOME, NET

	2014 SR'000	2013 SR'000
Dividends received (note 10)	47,601	34,471
Trail operation revenue and reverse of provision for impairment of projects under progress	46,288	-
Amortization of deferred gains (note 21)	28,066	28,066
Reverse of provision for research and development	26,836	-
Income from murabaha and other	26,013	32,029
Gain from sale of securities available for sale	19,846	495
(Losses) gain from Foreign exchange differences	(26,391)	18,112
Losses from sale of property, plant and equipment	(46,741)	(43,875)
Fair value of forward contracts (note 35)	(120,946)	-
Others	55,212	16,597
	55,784	85,895

- (*) One of the subsidiaries of Cristal Company established a provision of SR 56 million against impairment of capital work-in-progress. As part of the subsidiary's review of the ongoing projects during 2014, it was decided to reverse SR 46 million of the provision and the related assets were capitalized.

30. LEGAL LITIGATIONS

One subsidiary of Crystal company (a subsidiary) is involved in extraordinary legal litigations in the United States of America, and during 2013, the company offered a proposal for settlement which has been accepted by the plaintiffs of some of these legal litigations. Accordingly, the company has made the required provision for the offered proposal, the amount was settled during 2014.

31. EARNINGS PER SHARE

The earnings per share attributable to income from main operations and net income for the year are calculated based on total number of shares issued, amounting to 668,914 thousand shares as at 31 December 2014 (31 December 2013: 668,914 thousand shares).

32. SEGMENT INFORMATION

The main activity of the Company (Head Office) is investments, while subsidiary companies operate in the industrial and petrochemical sectors. The main markets of the petrochemical sector are the Kingdom of Saudi Arabia, Europe, Middle East, and Asia, the other segments are the Kingdom of Saudi Arabia, South and North of U.S.A., Europe, Australia, Middle East and Asia. The following is selected financial information for these segments. Group consists of the following main business segments:

- Industrial sector:** includes the production of titanium dioxide, production processes and specialized production operation of Rutile which is the raw material for the production of titanium dioxide, the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels.
- Petrochemical sector:** includes basic chemicals, and polymers.
- Head Office and other:** includes the operations of the head office, and technical centers, innovations and investment activities, and provision of technical and industrial services.

32. SEGMENT INFORMATION (continued)

	Industrial sector SR'000	Petrochemical Sector SR'000	Head office and other SR'000	Adjustments SR'000	Total SR'000
As at and for the year ended 31 December 2014					
Total assets	19,412,722	23,746,816	18,449,393	(13,717,217)	47,891,714
Total liabilities	10,721,676	13,178,547	6,411,530	(1,398,322)	28,913,431
Sales	8,953,197	13,887,197	413,682	(4,561,496)	18,692,580
Gross profit	1,601,190	2,933,817	77,068	409	4,612,484
Depreciation and amortization	672,696	978,928	40,110	-	1,691,734
Income from main operations	438,879	2,439,012	1,190,269	(1,279,039)	2,789,121
Capital expenditures	1,745,094	638,086	38,358	-	2,421,538
As at and for the year ended 31 December 2013					
Total assets	17,794,920	23,716,944	17,951,505	(12,460,032)	47,003,337
Total liabilities	9,899,113	13,405,404	5,546,750	(1,431,441)	27,419,826
Sales	9,154,323	11,860,901	382,011	(3,198,265)	18,198,970
Gross profit	1,958,794	2,821,041	57,934	(505)	4,837,264
Depreciation and amortization	652,541	799,082	38,680	-	1,490,303
Income from main operations	781,751	2,396,683	1,289,194	(1,357,796)	3,109,832
Capital expenditures	1,748,118	1,288,647	37,063	-	3,073,828

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, Investments in held for trading securities ,accounts receivable and prepayments, other current assets, investments in available for sale securities, short term loans, murabaha, accounts payable and accrued expenses, other current liabilities, long term loans, and derivative financial instruments.

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with national banks with sound investment credit ratings. Trade accounts receivable are shown net of provision for doubtful debts.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has no significant interest bearing assets but has interest-bearing liabilities as at 31 December 2014 and 2013. The Group manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with the counterparty to exchange, the difference fixed and variable rate contracts at specified intervals (mainly quarterly) by reference to the agreed notional principal amounts.

Liquidity risk

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

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 the risk of fluctuations in foreign exchange rates through its normal cycle. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments.

Fair value of financial instruments

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 consolidated financial statements have been prepared under the historical cost convention, differences may arise between the carrying amounts and fair value estimates. Management believes that the fair value of the financial assets and liabilities is not materially different from its carrying value.

34. CONTINGENCIES AND CAPITAL COMMITMENTS**A. Capital commitments**

The group has the following capital commitments:

	2014 SR'000	2013 SR'000
Capital commitments for projects under progress and purchase of property, plant and equipment	1,442,140	1,887,395

Operating lease obligations

	2014 SR'000	2013 SR'000
Payments under operating leases charged to expenses during the year	114,099	123,432

Operating lease payments represent rents accrued by the Group for renting land and residential units and sites for factories. The average period of the lease agreed upon, ranges from 1 to 30 years.

Cristal Inorganic Chemicals Ltd. (a subsidiary) leases various lands, property, facilities and equipment under irrevocable operating lease arrangements for varying periods.

The future minimum lease payments relating to all irrevocable operating leases with terms in excess of one year are as follows:

	2014 SR'000	2013 SR'000
One year	110,939	113,079
Two to four years	230,473	330,843
More than four years	74,107	62,007
Total minimum lease payments	415,519	505,929

34. CONTINGENCIES AND CAPITAL COMMITMENTS (continued)

B. Contingences

	2014 SR'000	2013 SR'000
1- Letters of credit and guarantee	2,710,681	2,521,862

Cristal Company has various agreements for the purchase of raw materials used in the production of titanium dioxide and certain other agreements for the purchase of raw materials, general utilities and services with various terms extending through the year 2020. As at consolidated balance sheet date, estimated future minimum payments under these irrevocable contracts were as follows:

	2014 SR'000	2013 SR'000
One year	2,167,460	1,404,068
Two to four years	1,646,955	1,734,473
More than four years	273,638	360,390
Total future minimum payments	4,088,053	3,498,931

- The company has issued corporate guarantees to commercial banks and Saudi Industrial Development Fund by it's percent owned in share capital of some other companies against the loans which have been obtained from such parties. As at 31 December 2014, these guarantees amounted to SR 9,524 million (2013: SR 6,943 million).
- The group is involved in legal litigation matters in the ordinary course of business, other than what has been disclosed in (note 30), which are being defended. The ultimate results of these matters cannot be determined with certainty as of the date of preparing the consolidated financial statements, the Group's management does not expect that these matters will have a material adverse effect on the Group's consolidated financial statements.

35. DERIVATIVE FINANCIAL INSTRUMENTS

The Group, during the ordinary course of its business, hedges the foreign exchange rate risk and interest rate risks. The subsidiaries use derivative financial instruments (such as interest rate swaps, forward foreign exchange contracts, derivatives of other foreign currencies, and natural hedges) to mitigate its exposure to interest rate risks and currency risk on sales, purchases, and cash deposits, and loans denominated in the local currency of the subsidiary. These hedges are qualified to be designated as cash flow hedges. The group's share in the cash flows hedge reserves for the post of acquisition which are identified as effective is included within equity.

As of 31 December, 2014, the Group had derivative financial instruments with notional amount of SR 3,312 million (2013: SR 3,612 million) and the Group's share in the net fair value change of cash flow hedge is SR 96,5 million (2012: SR 25,5 million) and represents the fair value. The cash flow hedge reserves represent the effective portion of the hedges. Deferred accumulated gain or loss from hedge is recognized in the consolidated statement of income when hedged transactions affect the consolidated statement of income.

35. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The generally accepted accounting standards require recording of foreign exchange contracts at the spot rates at contracts dates, and amortizing the difference between the spot rate and forward rate over the contract term as stipulated therein. As at December 2014, the difference between the spot rate and the forward rate of outstanding forward contracts at that date amounted SR 121 million, and was charged to the consolidated statement of income, under Other income (note 29).

36. MINORITY INTERESTS

The movements in minority interests are as follows:

	2014 SR'000	2013 SR'000
Balance at the beginning of the year	7,577,378	7,542,126
Share in net earnings of subsidiaries for the year	777,226	1,075,271
Dividends	(871,101)	(896,792)
Other, net	(131,505)	(143,227)
Balance at the end of the year	7,351,998	7,577,378

37. PROPOSED DIVIDENDS

The board of directors recommended in its meeting held on 28 Rabi Thani 1436H (corresponding to 17 February 2015) to distribute annual cash dividends for the year 2014 at SR 1 per share, dividends will be entitled to shareholders recorded in the financial securities depository center at the end of trading day corresponding to the meeting of the ordinary general assembly. This is subject to shareholders approval in the annual ordinary general assembly meeting. The board also recommended to pay amount of SR 2 million as a remuneration to the board of directors.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements on 5 Jamada Awal 1436H (corresponding to 24 February 2015).

39. COMPARATIVE FIGURES

Certain prior year figures have been re-classified to conform to the presentation of the current year.



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