

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)**

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

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Page
Independent auditors' report	2
Consolidated balance sheet	3
Consolidated income statement	4
Consolidated cash flow statement	5
Consolidated statement of changes in shareholders' equity	6
Notes to the consolidated financial statements	7 - 18



INDEPENDENT AUDITORS' REPORT

February 23, 2014

To the shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 23 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified opinion

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

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

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BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2013	2012
Assets			
Current assets			
Cash and cash equivalents	5	178,392,356	202,130,800
Accounts receivable	6	138,264,695	172,589,125
Inventories	7	129,936,358	126,218,658
Prepayments and other receivable	8	21,847,766	13,923,505
		<u>468,441,165</u>	<u>514,862,088</u>
Non-current assets			
Investment in an associate	9	90,328	-
Property, plant and equipment	10	179,171,501	187,775,281
		<u>179,261,829</u>	<u>187,775,281</u>
Total assets		<u>647,702,994</u>	<u>702,637,369</u>
Liabilities			
Current liabilities			
Accounts payable	11	29,838,428	54,898,765
Accrued and other liabilities	12	22,949,993	39,035,065
Zakat and income taxes payable	13	8,183,458	12,012,549
		<u>60,951,879</u>	<u>105,946,379</u>
Non-current liabilities			
Employee termination benefits	14	23,054,629	20,870,920
Total liabilities		<u>84,006,508</u>	<u>126,817,299</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital	16	275,000,000	275,000,000
Statutory reserve	17	38,500,829	34,067,958
Retained earnings		151,336,392	152,690,550
Total shareholders' equity		<u>464,837,221</u>	<u>461,758,508</u>
Non-controlling interests		<u>98,859,265</u>	<u>114,061,562</u>
Total equity		<u>563,696,486</u>	<u>575,820,070</u>
Total liabilities and equity		<u>647,702,994</u>	<u>702,637,369</u>
Contingencies and commitments	23		

The notes on pages from 7 to 18 form an integral part of these consolidated financial statements.


Saleh Al-Yami
 Chief Executive Officer


Khalid Al-Moammer
 Authorized Board Member


Ossama Farouk
 Chief Financial Officer

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated income statement
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Sales	4,15	658,950,842	702,691,144
Cost of sales	15	(497,868,533)	(511,979,717)
Gross profit		161,082,309	190,711,427
Operating expenses			
Selling and distribution	18	(50,751,037)	(49,219,732)
General and administrative	19	(29,595,839)	(33,325,351)
Income from operations		80,735,633	108,166,344
Other income (expenses)			
Share in net loss of an associate	9	(12,172)	-
Financial income	5	213,122	71,875
Other		301,132	1,265,720
Income before zakat and non-controlling interests		81,237,715	109,503,939
Zakat	13	(8,288,395)	(7,977,874)
Income before non-controlling interests		72,949,320	101,526,065
Non-controlling interests		(28,620,607)	(37,075,264)
Net income for the year		44,328,713	64,450,801
Earnings per share (Saudi Riyals):			
• Operating income	21	2.94	3.83
• Net income for the year		1.61	2.34
Weighted average number of shares outstanding		27,500,000	27,500,000

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BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Cash flow from operating activities			
Net income for the year		44,328,713	64,460,801
<u>Adjustments for non-cash items</u>			
Depreciation	10	22,470,872	21,854,013
Provision for doubtful debts	6	(424,548)	7,346,229
Provision for inventory obsolescence	7	5,105,280	4,340,837
Share in net loss of an associate		12,172	-
Gain on disposal of property and equipment		(436,262)	(246,952)
Income applicable to non-controlling interests		28,620,607	37,075,284
<u>Changes in working capital</u>			
Accounts receivable		34,748,978	(32,850,527)
Inventories		(8,822,980)	217,036
Prepayments and other receivable		(7,924,251)	6,176,388
Accounts payable		(25,060,337)	(10,030,055)
Accrued and other liabilities		(16,085,072)	(222,321)
Zakat and income taxes payable		(9,246,995)	(6,724,394)
Employee termination benefits		2,183,709	3,217,859
Net cash generated from operating activities		69,469,886	94,604,176
Cash flow from investing activities			
Investment in an associate		(102,500)	-
Purchase of property, plant and equipment		(14,074,779)	(14,030,906)
Proceeds from disposal of property and equipment		643,949	1,526,240
Net cash utilized in investing activities		(13,533,330)	(12,504,666)
Cash flow from financing activities			
Repayments of short-term borrowings		-	(5,000,000)
Dividends paid	22	(41,250,000)	(27,500,000)
Dividends paid by subsidiaries to non-controlling interests		(38,425,000)	(43,575,000)
Net cash utilized in financing activities		(79,675,000)	(76,075,000)
Net change in cash and cash equivalents		(23,738,444)	6,024,510
Cash and cash equivalents at beginning of year		202,130,800	196,106,290
Cash and cash equivalents at end of year	5	178,392,356	202,130,800
Supplemental cash flow information:			
<u>Non-cash financing activity</u>			
Income taxes charged to non-controlling interests		(6,397,904)	(9,009,551)

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BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013		275,000,000	34,067,958	152,690,550	461,758,508
Net income for the year		-	-	44,328,713	44,328,713
Transfer to statutory reserve	17	-	4,432,871	(4,432,871)	-
Dividends	22	-	-	(41,250,000)	(41,250,000)
December 31, 2013		275,000,000	38,500,829	151,336,392	464,837,221
January 1, 2012		275,000,000	27,622,878	122,184,829	424,807,707
Net income for the year		-	-	64,450,801	64,450,801
Transfer to statutory reserve	17	-	6,445,080	(6,445,080)	-
Dividends	22	-	-	(27,500,000)	(27,500,000)
December 31, 2012		275,000,000	34,067,958	152,690,550	461,758,508

The notes on pages from 7 to 18 form an integral part of these consolidated financial statements.



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Chief Executive Officer



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BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2013
 (All amounts in Saudi Riyals unless otherwise stated)

1 General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as indicated below. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals also management and maintenance of projects and factories.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under commercial registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (February 2, 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

During 2013, the Company has signed a memorandum of understanding with CP Kelco, an American company to jointly build and operate a xanthan gum facility in Jubail. CP Kelco is a leading producer of specialty hydrocolloids with offices and facilities across the globe. Except for the signed memorandum, no other developments or commitments have been undertaken as at the approval date of these consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the Company and its following various Saudi Arabian subsidiaries, operating under individual commercial registrations:

Subsidiary	Effective ownership percentage at December 31,	
	2013	2012
Basic Chemicals National Company Limited ("BCNC")	100%	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	100%	100%
Saudi Water Treatment Company Limited ("SWTC")	100%	100%
Huntsman APC ("HAPC")	49%	49%
National Adhesives Company Limited ("NAL")	47%	47%

HAPC and NAL are consolidated as they are controlled and managed by the Company.

The accompanying consolidated financial statements were approved by the Company's management on February 23, 2014.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

(b) 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 voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currencies translations

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. The net amounts of foreign exchange gains and losses were not significant for the years 2013 and 2012.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the income statement.

2.8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15
• Furniture, fixtures and office equipment	3 - 5
• Vehicles	4 - 7

Leasehold improvements are depreciated over the lower of estimated useful life or lease term.

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

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

2.10 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2.11 Accounts payable and accruals

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

2.12 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Foreign shareholders in the consolidated subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.13 Employee benefits

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Group and charged to the income statement. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.14 Revenues

Revenues are recognized upon delivery of products or on the performance of services. Revenues are shown net of discounts and after eliminating sales within the Group.

2.15 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, distribution and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.16 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

2.17 Operating leases

Rental expense under operating leases is charged to the income statement over the period of the respective lease.

2.18 Reclassifications

Certain amounts in the accompanying 2012 financial statements have been reclassified to conform to 2013 presentation.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts and other receivable, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and United states dollars. Management believes that currency risk to the Group is not material.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from the short term deposits, which are at floating rate interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group financial instruments are not exposed to price risk.

3.4 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 banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

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

3.6 Fair value

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

4 Segment information

The Group operates principally in the following business segments:

- (i) Manufacturing, selling and trading of various types of chemicals; and
- (ii) Manufacturing and selling of adhesive and other materials.

Selected financial information as of December 31 and for the years then ended, summarized by the above business segments, was as follows:

	Chemicals	Adhesive and other materials	Total
2013			
Sales	366,261,325	292,689,517	658,950,842
Net income	16,938,310	27,390,403	44,328,713
Depreciation	17,945,350	4,525,522	22,470,872
Property, plant and equipment	143,078,486	36,093,035	179,171,501
Total assets	438,104,566	209,598,428	647,702,994

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

	Chemicals	Adhesive and other materials	Total
2012			
Sales	356,945,177	345,745,967	702,691,144
Net income	32,538,341	31,912,460	64,450,801
Depreciation	17,116,017	4,737,996	21,854,013
Property, plant and equipment	149,042,602	38,732,679	187,775,281
Total assets	425,587,258	277,050,111	702,637,369

The Group's operations are principally conducted in the Kingdom of Saudi Arabia.

5 Cash and cash equivalents

	2013	2012
Cash in hand	226,000	338,283
Cash at bank	138,166,356	171,792,517
Time deposits	40,000,000	30,000,000
	<u>178,392,356</u>	<u>202,130,800</u>

Time deposits are held by commercial banks and yield financial income at prevailing market rates.

6 Accounts receivable

	Note	2013	2012
Trade		150,997,602	190,370,192
Less: provision for doubtful debts		<u>(17,657,091)</u>	<u>(21,743,988)</u>
		133,340,511	168,626,204
Related parties	15	<u>4,924,184</u>	<u>3,962,921</u>
		<u>138,264,695</u>	<u>172,589,125</u>

Movement in provision for doubtful debts is as follows:

	2013	2012
January 1	21,743,988	15,459,881
(Reversals) additions	(424,548)	7,346,229
Write-offs	<u>(3,662,349)</u>	<u>(1,062,122)</u>
December 31	<u>17,657,091</u>	<u>21,743,988</u>

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2013****(All amounts in Saudi Riyals unless otherwise stated)****7 Inventories**

	2013	2012
Finished products	68,896,582	66,540,695
Raw materials	52,243,736	47,803,277
Consumables and spare parts, held not for sale	23,102,385	22,967,130
Goods-in-transit	1,880,241	1,510,676
Other	1,612,315	2,097,574
	<u>147,735,259</u>	<u>140,919,352</u>
Less: provision for inventory obsolescence	(17,798,901)	(14,700,694)
	<u>129,936,358</u>	<u>126,218,658</u>

Movement in provision for inventory obsolescence is as follows:

	2013	2012
January 1	14,700,694	12,097,282
Additions	5,105,280	4,340,837
Write-offs	(2,007,073)	(1,737,425)
December 31	<u>17,798,901</u>	<u>14,700,694</u>

8 Prepayments and other receivable

	2013	2012
Prepaid expenses	2,397,810	1,702,618
Advances to suppliers	17,588,744	10,398,552
Other	1,861,202	1,822,335
	<u>21,847,756</u>	<u>13,923,505</u>

9 Investment in an associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company. Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

Movement in investment in an associate for the year ended December 31, 2013 is as follows:

	2013	2012
January 1	-	-
Additions	102,500	-
Share in net loss	(12,172)	-
December 31	<u>90,328</u>	-

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment

	January 1, 2013	Additions	Disposals / transfers	December 31, 2013
2013				
Cost				
Land	2,824,561	-	-	2,824,561
Buildings and leasehold improvements	96,903,779	653,335	-	97,557,114
Plant and machinery	359,314,511	1,990,572	-	361,305,083
Furniture, fixtures and office equipment	20,850,899	2,293,377	(3,096)	23,141,180
Vehicles	30,844,594	3,345,606	(2,135,244)	32,054,956
Construction in progress	3,925,809	6,408,541	(616,652)	9,717,698
	<u>514,664,153</u>	<u>14,691,431</u>	<u>(2,754,992)</u>	<u>526,600,592</u>
Accumulated depreciation				
Buildings and leasehold improvements	(48,824,914)	(3,038,508)	-	(51,863,422)
Plant and machinery	(237,154,329)	(15,054,939)	-	(252,209,268)
Furniture, fixtures and office equipment	(16,943,409)	(1,615,393)	2,322	(18,556,480)
Vehicles	(23,966,220)	(2,762,032)	1,928,331	(24,799,921)
	<u>(326,888,872)</u>	<u>(22,470,872)</u>	<u>1,930,653</u>	<u>(347,429,091)</u>
	<u>187,775,281</u>			<u>179,171,501</u>
	January 1, 2012	Additions	Disposals	December 31, 2012
2012				
Cost				
Land	2,824,561	-	-	2,824,561
Buildings and leasehold improvements	94,435,368	2,468,411	-	96,903,779
Plant and machinery	357,743,027	3,950,496	(2,379,012)	359,314,511
Furniture, fixtures and office equipment	18,723,101	2,507,446	(379,648)	20,850,899
Vehicles	29,607,826	3,075,052	(1,838,284)	30,844,594
Construction in progress	1,896,308	3,233,037	(1,203,536)	3,925,809
	<u>505,230,191</u>	<u>15,234,442</u>	<u>(5,800,480)</u>	<u>514,664,153</u>
Accumulated depreciation				
Buildings and leasehold improvements	(45,899,282)	(2,925,632)	-	(48,824,914)
Plant and machinery	(223,267,754)	(15,058,403)	1,171,828	(237,154,329)
Furniture, fixtures and office equipment	(16,092,691)	(1,230,307)	379,589	(16,943,409)
Vehicles	(23,092,789)	(2,639,671)	1,766,240	(23,966,220)
	<u>(308,352,516)</u>	<u>(21,854,013)</u>	<u>3,317,657</u>	<u>(326,888,872)</u>
	<u>196,877,675</u>			<u>187,775,281</u>

Construction in progress at December 31, 2013 represents costs incurred on certain expansions projects of the Group.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

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

11 Accounts payable

	Note	2013	2012
Trade		18,188,519	34,934,371
Related parties	15	11,649,909	19,964,394
		<u>29,838,428</u>	<u>54,898,765</u>

12 Accrued and other liabilities

	2013	2012
Accrued expenses	20,335,345	32,891,676
Advances from customers	683,123	4,690,823
Other	1,931,525	1,452,566
	<u>22,949,993</u>	<u>39,035,065</u>

13 Zakat and income taxes matters

13.1 Components of zakat base

The Group files zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations principally comprised of shareholders' equity, provisions at the beginning of year and adjusted net income, less deduction for the net book value of property, plant and equipment, investments and certain other items.

13.2 Provision for zakat and income taxes

	2013	2012
Zakat for BCI	4,225,144	3,598,042
Zakat and income tax for Saudi Arabian subsidiaries	3,938,314	8,414,507
	<u>8,163,458</u>	<u>12,012,549</u>

13.3 Provision for zakat charged to the income statement

	2013	2012
Zakat for BCI	4,333,409	3,798,519
Share of BCI in zakat of subsidiaries	3,954,986	4,179,355
	<u>8,288,395</u>	<u>7,977,874</u>

13.4 Provision for zakat and income taxes

	2013	2012
January 1	12,012,549	9,727,388
Provisions:		
For current year	13,608,408	16,423,698
Adjustments related to prior years	77,891	563,727
Payments	<u>(17,535,390)</u>	<u>(14,702,264)</u>
December 31	<u>8,163,458</u>	<u>12,012,549</u>

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2013****(All amounts in Saudi Riyals unless otherwise stated)****13.5 Status of final assessments**

The DZIT has finalized the zakat assessments for the Company for the years through 2002 which have been agreed by the Company. The DZIT issued additional assessments for the years 2003 through 2010 amounting to Saudi Riyals 10.42 million. The Company has filed appeals against such additional assessments which are at various appellate levels and the Group management believes that no material liability will arise upon the ultimate resolution of these appeals and accordingly, no provision for such additional assessments have been recorded in the accompanying consolidated financial statements. Zakat assessments for the years 2011 and 2012 are currently under review by the DZIT. The Company has obtained zakat certificates for the years through 2012.

The DZIT has issued Zakat and income tax assessments related to the subsidiaries for certain years which have been agreed by the subsidiaries. Zakat and income tax assessments for certain years are currently under review by the DZIT. All subsidiaries have received the zakat certificates for the years through 2012.

14 Employee termination benefits

	2013	2012
January 1	20,870,920	17,653,061
Provisions	5,336,800	4,401,411
Payments	<u>(3,153,091)</u>	<u>(1,183,552)</u>
December 31	<u>23,054,629</u>	<u>20,870,920</u>

15 Related party matters

The Group has transactions with non-controlling interests and their affiliates and associates (collectively the "related parties").

15.1 Related party transactions

Significant transactions with related parties included in the financial statements are summarized below:

	2013	2012
Sales	46,151,916	13,494,600
Purchases	86,119,901	93,782,984
Royalties charged by related parties	7,954,133	10,778,254

15.2 Related party balances

(i) Receivable from related parties

	2013	2012
Henkel Adhesive Limited and its affiliates	4,772,482	3,962,921
Mars-CMDC	<u>151,702</u>	<u>-</u>
	<u>4,924,184</u>	<u>3,962,921</u>

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2013****(All amounts in Saudi Riyals unless otherwise stated)****(ii) Payable to related parties**

	2013	2012
Henkel Adhesives Limited and its affiliates	4,816,485	8,147,106
Huntsman (Saudi Investments) B.V. Netherlands and its affiliates	<u>6,833,424</u>	<u>11,817,288</u>
	<u>11,649,909</u>	<u>19,964,394</u>

16 Share capital

The share capital of the Company as of December 31, 2013 and 2012 was comprised of 27,500,000 shares stated at Saudi Riyals 10 per share.

17 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equal 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

18 Selling and distribution expenses

	Note	2013	2012
Salaries and benefits		18,445,351	14,702,764
Transportation		12,921,599	12,538,261
Royalties	15	7,954,133	10,778,254
Depreciation		1,565,162	1,523,001
Advertisement		1,496,564	1,304,044
Rent		1,086,765	1,135,697
Commissions		962,213	859,668
Traveling		878,918	799,914
Repair and maintenance		839,759	638,750
Other		<u>4,600,573</u>	<u>4,939,379</u>
		<u>50,751,037</u>	<u>49,219,732</u>

19 General and administrative expenses

	Note	2013	2012
Salaries and benefits		19,824,052	16,766,258
Depreciation		2,232,886	2,058,211
Board of Directors fees		1,200,000	960,000
Traveling		1,892,490	1,890,232
Repair and maintenance		1,226,384	676,231
Professional fees		950,021	1,226,960
Utilities		527,413	572,608
Provision for doubtful debts	6	(424,548)	7,346,229
Other		<u>2,166,941</u>	<u>1,828,622</u>
		<u>29,595,639</u>	<u>33,325,351</u>

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

20 Operating leases

The Group has various operating leases for leasehold land and certain office properties which are renewed annually. Rental expense for the year ended December 31, 2013 amounted to Saudi Riyals 2.1 million (2012: Saudi Riyals 2.3 million). There were no significant rental commitments outstanding at December 31, 2013.

21 Earnings per share

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

22 Dividends

During 2013, the shareholders of the Company approved dividends amounting to Saudi Riyals 41.25 million (2012: Saudi Riyals 27.50 million). Such dividends were fully paid during the year.

23 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees and a letter of credit issued on behalf of the Group in the normal course of business amounting to Saudi Riyals 24.18 million (2012: Saudi Riyals 11.24 million).
- (ii) The capital expenditure contracted by the Group but not incurred till December 31, 2013 was approximately Saudi Riyals 52.0 million (2012: Saudi Riyals 14.5 million).
- (iii) Also see Note 13.5 for zakat contingencies.