

**ADVANCED PETROCHEMICAL COMPANY
(A Saudi joint stock company)**

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



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

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INDEPENDENT AUDITORS' REPORT

January 23, 2014

To the Shareholders of Advanced Petrochemical Company:
(A Saudi joint stock company)

Scope of audit

We have audited the accompanying balance sheet of Advanced Petrochemical Company (the "Company") as of December 31, 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the notes which form an integral part of the financial statements. These financial statements, which were prepared by the Company to comply 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 Company's management. Our responsibility is to express an opinion on these 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company; 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 financial statements.

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BALANCE SHEET
AS AT DECEMBER 31, 2013

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31,	
		2013	2012
Assets			
Current assets			
Cash and cash equivalents	5	543,893	462,293
Trade receivable		265,994	282,764
Inventories	6	145,195	140,748
Prepayments and other receivable	7	18,757	21,021
Total current assets		973,839	906,826
Non-current assets			
Other non-current assets	8	32,715	33,058
Investment in un-consolidated subsidiaries	9	1,900	1,900
Property, plant and equipment	10	2,162,605	2,215,248
Intangible assets	11	53,965	98,134
Total non-current assets		2,251,185	2,348,340
Total assets		3,225,024	3,255,166
Liabilities			
Current liabilities			
Short-term borrowings	12	-	187,500
Current maturity of long-term loans	13	125,000	125,000
Accounts payable		158,235	160,648
Accruals and other current liabilities	14	200,687	214,281
Dividend payable		3,561	3,187
Total current liabilities		487,483	690,616
Non-current liabilities			
Long-term loans	13	455,000	500,000
Employees termination benefits	16	28,491	21,918
Total non-current liabilities		483,491	521,918
Total liabilities		970,974	1,212,534
Shareholders' equity			
Share capital	17	1,639,950	1,639,950
Statutory reserve	18	206,740	151,054
Retained earnings		407,360	251,628
Total shareholders' equity		2,254,050	2,042,632
Total liabilities and shareholders' equity		3,225,024	3,255,166
Contingencies and commitments	24		

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

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

KHALID F. AL OTAIBI
GM - Finance & Admin.



INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Sales		2,785,602	2,472,436
Cost of sales		(2,174,152)	(2,085,936)
Gross profit		611,450	386,500
Selling and distribution expenses	19	(16,765)	(14,163)
General and administrative expenses	20	(29,180)	(25,936)
Income from operation		565,505	346,401
Other income (expenses)			
Finance charges	12,13	(14,718)	(21,442)
Other income		6,074	3,278
Net income for the year		556,861	328,237
Earnings per share (Saudi Riyals):	22		
• Income from operation		3.448	2.112
• Net income for the year		3.396	2.002
Weighted average number of shares		163,995,000	163,995,000

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CASH FLOWS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Cash flow from operating activities			
Net income for the year		556,861	328,237
<u>Adjustments for non-cash items</u>			
Depreciation and amortization	10,11	207,631	197,270
Loss on disposal of property, plant and equipment		344	-
<u>Changes in working capital</u>			
Trade receivable		16,770	60,518
Inventories		(4,447)	15,089
Prepayments, other receivable and other non-current assets		2,607	10,449
Accounts payable		(2,413)	(956)
Accruals and other current liabilities		(22,252)	(26,194)
Employees termination benefits		6,573	5,449
Net cash generated from operating activities		761,674	589,862
Cash flow from investing activities			
Investment in un-consolidated subsidiaries	9	-	(1,900)
Additions to property, plant and equipment	10	(110,502)	(96,969)
Proceeds from disposal of property, plant and equipment		322	321
Increase in intangible assets	11	(983)	(74,045)
Net cash utilized in investing activities		(111,163)	(172,593)
Cash flow from financing activities			
Short-term borrowings		(187,500)	187,500
Proceeds from long-term loans		80,000	-
Repayment of long-term loans		(125,000)	(300,000)
Zakat and income tax paid	15	(8,795)	(14,286)
Dividend paid		(327,616)	(304,665)
Net cash utilized in financing activities		(568,911)	(431,451)
Net change in cash and cash equivalents		81,600	(14,182)
Cash and cash equivalents, beginning of year		462,293	476,475
Cash and cash equivalents, end of year	5	543,893	462,293

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013**

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Share capital	Statutory reserve	Retained earnings	Total
	Note				
January 1, 2012		1,413,750	118,230	496,342	2,028,322
Net income for the year		-	-	328,237	328,237
Increase in share capital	1	226,200	-	(226,200)	-
Transfer to statutory reserve	18	-	32,824	(32,824)	-
Dividends	23	-	-	(305,370)	(305,370)
Zakat and income tax	15	-	-	(8,557)	(8,557)
December 31, 2012		1,639,950	151,054	251,628	2,042,632
January 1, 2013		1,639,950	151,054	251,628	2,042,632
Net income for the year		-	-	556,861	556,861
Transfer to statutory reserve	18	-	55,686	(55,686)	-
Dividends	23	-	-	(327,990)	(327,990)
Zakat and income tax	15	-	-	(17,453)	(17,453)
December 31, 2013		1,639,950	206,740	407,360	2,254,050

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1 Organization and activities

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban 1426H (October 1, 2005). The registered address of the Company is P.O. Box 7215, Dammam 31462, Kingdom of Saudi Arabia.

The principal activity of the Company is to manufacture and sell polypropylene.

During 2012, the shareholders of the Company resolved in their general assembly meeting held in February 2012 to approve the Board of Directors' (BoD) proposal to increase the share capital from Saudi Riyals 1.41 billion to Saudi Riyals 1.64 billion through capitalization of Saudi Riyals 226.2 million from retained earnings by distribution of one bonus share for every 6.25 shares.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.3 Foreign currency translations

(a) Reporting currency

These 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.

2.4 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.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company 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 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.

ADVANCED PETROCHEMICAL COMPANY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals thousands unless otherwise stated)



2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of work in progress and 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.

2.7 Investments

Subsidiaries are entities over which the Company 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 Company controls another entity. Material and operational subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation, except construction in progress which is carried at cost. Depreciation is charged to the 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
Plants	20
Capital spares	20
Buildings	33
Machinery and equipment	10
Furniture, fixtures and office equipment	3 - 8
Catalyst	2 - 8
Laboratory and safety equipment	5
Vehicles and trucks	4 - 10
Leasehold improvements	10

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.

Capital spares that are considered essential to ensure continuous plant operations, are classified under property, plant and equipment and are depreciated using the straight-line method in accordance with applicable rates. Spare parts are capitalized if they are not readily available in the market or unavailable, and their manufacturing requires an extended time to complete.

2.9 Intangible assets

Pre-operating costs

These are amortized over a period not exceeding seven years and include:

- Establishment costs, listing costs and expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods; and
- Plant testing and commissioning costs adjusted against any proceeds from sale of off-grade production during the testing phase.

Planned turnaround costs

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

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.

2.11 Borrowings

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

2.12 Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the statement of changes in shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

2.13 Employee benefits

Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company 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 laws of Saudi Arabia.

Employees' home ownership programme

The Company has a home ownership programme that offers eligible Saudi employees home ownership opportunities.

Costs incurred on the construction of houses are accumulated and recorded as construction in progress under property, plant and equipment till the time the construction is completed. When the houses are transferred to the employees, the respective costs are transferred from property, plant and equipment to other non-current assets. Costs of unallocated houses are capitalized and depreciated. Down payments and installments of purchase price received from employees are adjusted against the other non-current assets and the title is transferred upon completion of receipt of all the installments.

2.14 Revenues

Revenues are recognized upon delivery of the products to the marketers and the customers. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc.,

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 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. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

3. Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, other non-current assets, investment in un-consolidated subsidiaries, long-term loans, trade payable, accrued and other current liabilities and dividend payable. 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 reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are mainly in Saudi Riyals, United States ('US') dollars and Euros. Management of the Company believes that the currency risk for the other financial instruments is not significant.

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 Company's financial positions and cash flows. The Company's interest rate risks arise mainly from its short-term Islamic investments and bank borrowings which are at floating rate of 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 Company 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 Company's financial assets and liabilities are not exposed to price risk.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings.

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 any future commitments.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's 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 Company's financial assets and liabilities are not materially different from their carrying values.

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.

The Company is engaged in manufacturing of petrochemicals products.

(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.

The Company's operations are conducted principally in Saudi Arabia.

5. Cash and cash equivalents

	2013	2012
Cash and bank balances	98,962	127,665
Islamic investments	444,931	334,628
	543,893	462,293

Islamic investments are held with financial institutions for a period of less than three months and yield income at the prevailing market rates.

6. Inventories

	2013	2012
Finished goods	55,756	54,051
Semi-finished goods	18,720	7,436
Spare parts	54,563	51,226
Catalyst	7,096	14,216
Other	9,060	13,819
	145,195	140,748

7. Prepayments and other receivable

	2013	2012
Advances to suppliers	2,613	3,658
Prepayments	9,425	11,082
Deposits	6,300	5,960
Other	419	321
	18,757	21,021

8. Other non-current assets

Other non-current assets primarily represent balances related to Employee Share Ownership Program ("ESOP"). During 2012, the Board of Directors have approved an ESOP which provides a 5 year service benefits to eligible employees effective June 1, 2012. These employees, subject to their subscription to ESOP and meeting the underlying conditions, are given an option to buy the Company's shares, at an agreed exercise price, at a future date (the "vesting date") once they become fully entitled to the shares. The ESOP cost is recognized as an expense over the period in which the service conditions are fulfilled by the employees.

In relation to ESOP, the Company purchased its shares at Saudi Riyals 30.2 million (2012: Saudi Riyals 30.2 million) through a local financial institution under a custody arrangement and these shares are held by the local financial institution as the Company at no point will becomes legal owner. The value of such shares has been recorded under other non-current assets. The eligible employees will repay the exercise price of the shares to the Company at the completion of the vesting period.

9. Investment in un-consolidated subsidiaries

These represent the Company's equity interest in the share capital contribution of the following Saudi Arabian limited liability companies:

Name of subsidiary	2013		2012	
	Percentage of holding	Amount	Percentage of holding	Amount
Advanced Renewable Energy Company ("AREC")	95	950	95	950
Advanced Global Investment Company ("AGIC")	95	950	95	950
		<u>1,900</u>		<u>1,900</u>

AREC and AGIC were formed in March 2012 and August 2012, respectively. The share capital contribution of these companies was kept in their respective bank accounts and there were no other assets or liabilities, including contingent liabilities at the balance sheet dates and they do not have any operations for the reported years. The Company will start consolidating them upon commencement of operations as non-consolidation does not have any material impact on the accompanying 2013 financial statements.

10 Property, plant and equipment

	January 1, 2013	Additions	Disposals	December 31, 2013
2013				
Cost				
Plants	2,644,708	12,922	-	2,657,630
Capital spares	56,944	11,822	-	68,766
Buildings	59,388	3,308	(730)	61,966
Machinery and equipment	25,348	9,030	(170)	34,208
Furniture, fixtures and office equipment	7,470	516	(368)	7,618
Catalyst	122,720	-	-	122,720
Laboratory and safety equipment	14,864	19	-	14,883
Vehicles and trucks	4,955	1,527	(648)	5,834
Leasehold improvements	380	-	-	380
Construction in progress	22,227	71,358	-	93,585
Total	2,959,004	110,502	(1,916)	3,067,590
Accumulated depreciation				
Plants	(609,879)	(132,357)	-	(742,236)
Capital spares	(9,132)	(3,089)	-	(12,221)
Buildings	(9,811)	(2,368)	182	(11,997)
Machinery and equipment	(12,818)	(4,164)	169	(16,813)
Furniture, fixtures and office equipment	(4,581)	(883)	295	(5,169)
Catalyst	(80,197)	(18,198)	-	(98,395)
Laboratory and safety equipment	(14,492)	(167)	-	(14,659)
Vehicles and trucks	(2,698)	(1,214)	604	(3,308)
Leasehold improvements	(148)	(39)	-	(187)
Total	(743,756)	(162,479)	1,250	(904,985)
Net book value	2,215,248			2,162,605
	January 1, 2012	Additions	Disposals	December 31, 2012
2012				
Cost				
Plants	2,625,209	19,499	-	2,644,708
Capital spares	39,310	17,638	(4)	56,944
Buildings	58,274	1,114	-	59,388
Machinery and equipment	21,159	4,189	-	25,348
Furniture, fixtures and office equipment	7,149	554	(233)	7,470
Catalyst	82,019	40,701	-	122,720
Laboratory and safety equipment	14,792	72	-	14,864
Vehicles and trucks	4,069	1,186	(300)	4,955
Leasehold improvements	232	148	-	380
Construction in progress	10,359	11,868	-	22,227
Total	2,862,572	96,969	(537)	2,959,004
Accumulated depreciation				
Plants	(478,045)	(131,834)	-	(609,879)
Capital spares	(6,371)	(2,761)	-	(9,132)
Buildings	(7,482)	(2,329)	-	(9,811)
Machinery and equipment	(8,212)	(4,606)	-	(12,818)
Furniture, fixtures and office equipment	(3,794)	(984)	197	(4,581)
Catalyst	(64,405)	(15,792)	-	(80,197)
Laboratory and safety equipment	(12,636)	(1,856)	-	(14,492)
Vehicles and trucks	(1,828)	(889)	19	(2,698)
Leasehold improvements	(113)	(35)	-	(148)
Total	(582,886)	(161,086)	216	(743,756)
Net book value	2,279,686			2,215,248



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Construction in progress at December 31, 2013 primarily represent costs incurred on construction of a housing project for the Company's employees which is expected to be completed in 2016, with an estimated cost of Saudi Riyals 364.0 million.

The Company has capitalized Saudi Riyals 0.9 million of financial charges during the year ended December 31, 2013 (2012: Nil).

Buildings and plant facilities of the Company are constructed on land leased under renewable operating lease agreements at nominal annual rent from the Royal Commission of Jubail and Yanbu for 30 Hijra years.

11 Intangible assets

	<u>2013</u>	<u>2012</u>
January 1	98,134	60,273
Additions	983	74,045
Amortization	(45,152)	(36,184)
December 31	<u>53,965</u>	<u>98,134</u>

12 Short-term borrowings

Short-term borrowings at December 31, 2012 represent a working capital facility from a commercial bank and was fully repaid during 2013.

13 Long-term loans

	<u>2013</u>	<u>2012</u>
Murabaha loans	580,000	625,000
Current maturity shown under current liabilities	(125,000)	(125,000)
	<u>455,000</u>	<u>500,000</u>

13.1 Murabaha loans

During 2007, the Company entered into a commercial facilities agreement wherein the investment agent (Gulf International Bank "GIB") agreed to make available to the purchaser (the Company) the facilities to finance the purchase of commodities from the nominated suppliers. On May 22, 2007, the agreement was transferred into a Murabaha agreement for the purpose of being Shar'iah compliant. The total Murabaha agreement is US\$ 330.0 million (Saudi Riyals 1,238.0 million) comprising of a total facility of US\$ 300.0 million (Saudi Riyals 1,125.0 million) and the total standby facility of US\$ 30.0 million (Saudi Riyals 112.5 million). The facility will be repaid in 18 successive equal semi-annual installments where the first repayment falls 6 months after the project completion date or 18 months after the scheduled project completion date. During 2011, the loan facility was transferred to Riyadh Bank (as investment agent) by GIB with the same repayment terms but with different covenants. Balance outstanding at December 31, 2013 against this facility amounted to Saudi Riyals 500.0 million (2012: Saudi Riyals 625.0 million).

During 2013, the Company obtained another Murabaha loan facility of Saudi Riyals 200.0 million from a local commercial bank to finance the housing project for its employees as explained under Note 10. Balance drawn and outstanding at December 31, 2013 against this facility amounted to Saudi Riyals 80.0 million which was drawn in four (4) drawdowns between May 2013 to December 2013. The loan will be repaid in 12 equal quarterly installments commencing from June 30, 2015.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

(All amounts in Saudi Riyals thousands unless otherwise stated)

13.2 Maturity profile of long-term loans

	2013	2012
Years ending December 31:		
2013	-	125,000
2014	125,000	125,000
2015	138,333	125,000
2016	151,667	125,000
2017	151,667	125,000
2018	13,333	-
	580,000	625,000

14 Accruals and other current liabilities

	Note	2013	2012
Accrued purchases		134,223	160,191
Advances from customers		1,682	3,437
Accrued expenses		35,666	35,916
Provision for zakat and income tax	15	17,259	8,601
Customers' rebate		11,196	5,371
Other		661	765
		200,687	214,281

15 Zakat and tax matters

15.1 Significant components of zakat base

Significant components of zakat base for the years ended December 31 subject to changes as per zakat and income tax regulations, were as follow:

	Note	2013	2012
Shareholders' equity at beginning of year		2,042,632	2,028,322
Provisions at beginning of year		21,918	16,469
Long-term loans		580,000	625,000
Net income for the year		556,861	328,237
Non-current assets		(2,251,185)	(2,348,340)
Spare parts, held not for sale	6	(54,563)	(51,226)
Dividend paid		(327,616)	(304,665)

Zakat is payable at 2.5 percent of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders. Income tax is payable at 20% of adjusted net income attributable to the foreign shareholders.

15.2 Provision for zakat and income taxes

	Zakat	Income tax	Total
January 1, 2013	8,035	566	8,601
Provisions:			
For current year	15,516	1,743	17,259
Adjustments related to prior years	190	4	194
Payments	(8,225)	(570)	(8,795)
December 31, 2013	15,516	1,743	17,259
January 1, 2012	13,429	901	14,330
Provisions:			
For current year	8,035	566	8,601
Adjustments related to prior years	(44)	-	(44)
Payments	(13,385)	(901)	(14,286)
December 31, 2012	8,035	566	8,601

15.3 Status of final certificates

The Company has received final zakat and income tax certificates through the years ended December 31, 2012.

16 Employees termination benefits

	2013	2012
January 1	21,918	16,469
Provisions	10,293	7,854
Payments	(3,720)	(2,405)
December 31	28,491	21,918

17 Share capital

The share capital of the Company as of December 31, 2013 was comprised of 163,995,000 shares (2012: 163,995,000 shares) stated at Saudi Riyals 10 per share. Also see Note 1.

18 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. This reserve currently is not available for distribution to the shareholders of the Company.

19 Selling and distribution expenses

	2013	2012
Terminal and handling charges	16,765	13,951
Other	-	212
	16,765	14,163

20 General and administrative expenses

	2013	2012
Salaries and related benefits	21,071	17,606
Professional charges	1,908	1,475
Depreciation	1,005	729
Rent	266	187
Directors' fees and remunerations	2,257	2,180
Advertising and promotion	1,555	2,619
Other	1,118	1,140
	29,180	25,936

21 Operating leases

The Company has leased land from the Royal Commission for Jubail and Yanbu, for its building and plants facilities. Rental expenses for the year ended December 31, 2013 amounted to Saudi Riyals 0.6 million (2012: Saudi Riyals 0.6 million). The lease will expire in the year 1456 H, with the option for renewal. Future rental commitments at December 31 under these operating leases are as follows:

	2013	2012
Years ending December 31:		
2013	-	650
2014	650	650
2015	650	650
2016	650	650
2017	650	650
2018	650	650
Thereafter	11,708	11,708
	14,958	15,608

22 Earnings per share

Earnings per share for the years ended December 31, 2013 and 2012 have been computed by dividing the income from operations and net income for such years by weighted average number of 163,995,000 shares outstanding during such years, after considering the effect of bonus share. See Note 1.

23 Dividends

During 2013:

- the shareholders of the Company approved a final cash dividend of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 163.9 million (2012: Saudi Riyals 141.4 million) in their general assembly meeting, held in February 2013, which was proposed by the BoD during December 2012;
- the BoD declared and distributed interim cash dividends of Saudi Riyal 1.0 per share, for the first half of the 2013, amounting to Saudi Riyals 163.9 million (2012: Saudi Riyals 163.9 million); and
- the BoD has proposed a final cash dividend of Saudi Riyals 1.25 per share, amounting to Saudi Riyals 205.0 million, for the second half of the year 2013, which will be paid during 2014 upon approval of the shareholders.

24 Contingencies and commitments

- (i) The Company was contingently liable for bank guarantees issued on behalf of the Company in the normal course of the business amounting to Saudi Riyals 452.03 million at December 31, 2013 (2012: Saudi Riyals 452.02 million); and
- (ii) The capital expenditure contracted by the Company but not incurred till December 31, 2013 was approximately Saudi Riyals 293.4 million mainly related to employees housing project as explained under Note 10.