

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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

February 24, 2015

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, 2014 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, 2014 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.

### **PricewaterhouseCoopers**

By:   
Yaseen A. Abu Alkheer  
License No. 375



**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,	
		2014	2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	160,674,296	178,392,356
Accounts receivable	6	145,883,382	138,264,695
Inventories	7	113,045,424	129,936,358
Prepayments and other receivable	8	12,109,351	21,847,756
		<b>431,712,453</b>	<b>468,441,165</b>
<b>Non-current assets</b>			
Investment in an associate	9	275,287	90,328
Property, plant and equipment	10	209,175,092	179,171,501
		<b>209,450,379</b>	<b>179,261,829</b>
<b>Total assets</b>		<b>641,162,832</b>	<b>647,702,994</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	11	26,608,476	29,838,428
Accrued and other liabilities	12	35,298,217	22,949,993
Zakat and income taxes payable	13	9,597,061	8,163,458
		<b>71,503,754</b>	<b>60,951,879</b>
<b>Non-current liability</b>			
Employee termination benefits	14	22,356,945	23,054,629
<b>Total liabilities</b>		<b>93,860,699</b>	<b>84,006,508</b>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	16	275,000,000	275,000,000
Statutory reserve	17	40,892,114	38,500,829
Retained earnings		145,357,953	151,336,392
<b>Total shareholders' equity</b>		<b>461,250,067</b>	<b>464,837,221</b>
<b>Non-controlling interests</b>		<b>86,052,066</b>	<b>98,859,265</b>
<b>Total equity</b>		<b>547,302,133</b>	<b>563,696,486</b>
<b>Total liabilities and equity</b>		<b>641,162,832</b>	<b>647,702,994</b>
<b>Contingencies and commitments</b>	23		

The accompanying notes from 1 to 23 form an integral part of these consolidated financial statements.

  
**Saleh Al-Yami**  
 Chief Executive Officer

  
**Khalid Al-Moammer**  
 Authorized Board Member

  
**OSSAMA FAROUK**  
 Vice President Finance

**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,	
		2014	2013
Sales	4, 15	633,455,860	658,950,842
Cost of sales	15	(498,478,575)	(497,868,533)
Gross profit		134,977,285	161,082,309
<b>Operating expenses</b>			
Selling and distribution	15, 18	(47,586,151)	(50,751,037)
General and administrative	15, 19	(34,067,684)	(29,595,639)
Income from operations		53,323,450	80,735,633
<b>Other income (expenses)</b>			
Share in net income (loss) of an associate	9	184,959	(12,172)
Financial income	5	161,409	213,122
Other, net		4,654,371	301,132
Income before zakat and non-controlling interests		58,324,189	81,237,715
Zakat	13	(7,506,779)	(8,288,395)
Income before non-controlling interests		50,817,410	72,949,320
Non-controlling interests		(26,904,564)	(28,620,607)
<b>Net income for the year</b>		<b>23,912,846</b>	<b>44,328,713</b>
<b>Earnings per share:</b>			
	21		
• Income from operations		1.94	2.94
• Net income for the year		0.87	1.61
Weighted average number of shares outstanding		27,500,000	27,500,000

The accompanying notes from 1 to 23 form an integral part of these consolidated financial statements.



**Saleh Al-Yami**  
Chief Executive Officer



**Khalid Al-Moammer**  
Authorized Board Member



**OSSAMA FAROUK**  
Vice President Finance

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

	Note	Year ended December 31,	
		2014	2013
<b>Cash flows from operating activities</b>			
Net income for the year		23,912,846	44,328,713
<u>Adjustments for non-cash items</u>			
Depreciation	10	24,234,555	22,470,872
Provision for doubtful debts	6	3,436,655	(424,548)
Provision for slow moving inventories	7	7,374,773	5,105,280
Share in net (income) loss of an associate	9	(184,959)	12,172
Gain on disposal of property, plant and equipment		(466,224)	(436,262)
Income applicable to non-controlling interests		26,904,564	28,620,607
<u>Changes in working capital</u>			
Accounts receivable		(11,055,342)	34,748,978
Inventories		9,516,161	(8,822,980)
Prepayments and other receivable		9,738,405	(7,924,251)
Accounts payable		(3,229,952)	(25,060,337)
Accrued and other liabilities		12,348,224	(16,085,072)
Zakat and income taxes payable		(3,828,160)	(9,246,995)
Employee termination benefits		(697,684)	2,183,709
<b>Net cash generated from operating activities</b>		<b>98,003,862</b>	<b>69,469,886</b>
<b>Cash flows from investing activities</b>			
Investment in an associate	9	-	(102,500)
Purchase of property, plant and equipment	10	(54,648,953)	(14,074,779)
Proceeds from disposal of property, plant and equipment		877,031	643,949
<b>Net cash utilized in investing activities</b>		<b>(53,771,922)</b>	<b>(13,533,330)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	22	(27,500,000)	(41,250,000)
Dividends paid by a subsidiary to non-controlling interests		(34,450,000)	(38,425,000)
<b>Net cash utilized in financing activities</b>		<b>(61,950,000)</b>	<b>(79,675,000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(17,718,060)</b>	<b>(23,738,444)</b>
Cash and cash equivalents at beginning of year		178,392,356	202,130,800
<b>Cash and cash equivalents at end of year</b>	5	<b>160,674,296</b>	<b>178,392,356</b>
<b>Supplemental cash flows information:</b>			
<u>Non-cash financing activity</u>			
Income taxes charged to non-controlling interests		(5,261,763)	(5,397,904)

The accompanying notes from 1 to 23 form an integral part of these consolidated financial statements.

  
**Saleh Al-Yami**  
 Chief Executive Officer

  
**Khalid Al-Moammer**  
 Authorized Board Member

  
**OSSAMA FAROUK**  
 Vice President Finance

**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
<b>January 1, 2014</b>		275,000,000	38,500,829	151,336,392	<b>464,837,221</b>
Net income for the year		-	-	23,912,846	<b>23,912,846</b>
Transfer to statutory reserve	17	-	2,391,285	(2,391,285)	-
Dividends	22	-	-	(27,500,000)	<b>(27,500,000)</b>
<b>December 31, 2014</b>		<b>275,000,000</b>	<b>40,892,114</b>	<b>145,357,953</b>	<b>461,250,067</b>
<b>January 1, 2013</b>		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)
<b>December 31, 2013</b>		<b>275,000,000</b>	<b>38,500,829</b>	<b>151,336,392</b>	<b>464,837,221</b>

The accompanying notes from 1 to 23 form an integral part of these consolidated financial statements.



**Saleh Al-Yami**  
Chief Executive Officer



**Khalid Al-Moammer**  
Authorized Board Member



**OSSAMA FAROUK**  
Vice President Finance



## BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2014

(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 Saudi Arabian 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.

On January 11, 2015, the Company has signed a memorandum of understanding ("MOU") to form a joint venture project with Ebrahim A. Juffali & Brothers, a Saudi Arabian enterprise, for producing chlorine and its derivatives with an estimated production capacity of 200,000 ton per year. The estimated cost of the project is Saudi Riyals 2.2 billion with an expected 50% participation from the Company to be financed partly through commercial loans and a loan from the Saudi Industrial Development Fund and partly through equity, considering the financial viability of the project.

During 2013, the Company has signed an MOU 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 above two MOUs, 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, its branches and its following various Saudi Arabian subsidiaries, operating under individual commercial registrations:

Subsidiary	Effective ownership percentage at December 31,	
	2014	2013
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 24, 2015.

### 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.



## **BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

### **2.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with generally accepted accounting standards 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.

### **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 consolidated 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.

Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

### **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.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.5 Foreign currencies translations**

(a) Reporting currency

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

(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 consolidated income statement. The net amounts of foreign exchange gains and losses for the year ended December 31, 2014 and 2013 are included under "other, net" in the accompanying consolidated income statement.

**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 consolidated 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 consolidated 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 consolidated 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:

	<b>Number of years</b>
• 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 shorter 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 consolidated income statement.

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

## **BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

### **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 consolidated income statement.

### **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 tax**

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 tax. 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 consolidated 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 termination benefits**

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Group and charged to the consolidated 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 certain expenses 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 cost of sales as required under generally accepted accounting standards. Allocations between selling, distribution and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

### **2.16 Dividends**

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

### **2.17 Operating leases**

Rental expenses under operating leases are charged to the consolidated 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.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals unless otherwise stated)

**3 Financial instruments and risk management**

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts and other receivable, investment in an associate, 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 consolidated 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.

**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, United States dollars and Euros. Management believes that currency risk to the Group is not material.

**3.2 Fair value and cash flows interest rate risks**

Fair value and cash flows 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 financial assets and liabilities are not exposed to fair value and cash flows interest rate risk. Management monitors changes in interest rates and believes that fair value and cash flows 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:

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals unless otherwise stated)

	Chemicals	Adhesive and other materials	Total
<b><u>2014</u></b>			
Sales	362,436,307	271,019,553	633,455,860
Net income for the year	246,644	23,666,202	23,912,846
Depreciation	19,002,934	5,231,621	24,234,555
Property, plant and equipment	158,618,220	50,556,872	209,175,092
Total assets	454,430,767	186,732,065	641,162,832
<b><u>2013</u></b>			
Sales	366,261,325	292,689,517	658,950,842
Net income for the year	16,938,310	27,390,403	44,328,713
Depreciation	17,945,350	4,525,522	22,470,872
Property, plant and equipment	143,078,466	36,093,035	179,171,501
Total assets	438,104,566	209,598,428	647,702,994

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

**5 Cash and cash equivalents**

	2014	2013
Cash at bank	160,458,296	138,166,356
Cash in hand	216,000	226,000
Time deposits	-	40,000,000
	<u>160,674,296</u>	<u>178,392,356</u>

Time deposits at December 31, 2013 were held by commercial banks and yield financial income at prevailing market rates.

**6 Accounts receivable**

	Note	2014	2013
Trade		158,270,672	150,997,602
Less: provision for doubtful debts		<u>(18,674,572)</u>	<u>(17,657,091)</u>
		139,596,100	133,340,511
Related parties	15	<u>6,287,282</u>	<u>4,924,184</u>
		<u>145,883,382</u>	<u>138,264,695</u>

Movement in provision for doubtful debts is as follows:

	2014	2013
January 1	17,657,091	21,743,988
Additions (reversals)	3,436,655	(424,548)
Write-offs	<u>(2,419,174)</u>	<u>(3,662,349)</u>
December 31	<u>18,674,572</u>	<u>17,657,091</u>

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals unless otherwise stated)

**7 Inventories**

	2014	2013
Finished products	68,759,170	68,896,582
Raw materials	40,715,982	52,243,736
Consumables and spare parts, held not for sale	24,018,586	23,102,385
Goods-in-transit	192,526	1,880,241
Other	1,026,854	1,612,315
	<u>134,713,118</u>	<u>147,735,259</u>
Less: provision for slow-moving inventories	<u>(21,667,694)</u>	<u>(17,798,901)</u>
	<u>113,045,424</u>	<u>129,936,358</u>

Movement in provision for slow-moving inventories is as follows:

	2014	2013
January 1	17,798,901	14,700,694
Additions	7,374,773	5,105,280
Write-offs	<u>(3,505,980)</u>	<u>(2,007,073)</u>
December 31	<u>21,667,694</u>	<u>17,798,901</u>

**8 Prepayments and other receivable**

	2014	2013
Advances to suppliers	7,629,960	17,588,744
Prepaid expenses	2,113,214	2,397,810
Due from employees	1,821,394	1,609,543
Other	544,783	251,659
	<u>12,109,351</u>	<u>21,847,756</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 incorporated in Qatar under CR No. 56892 issued on 12 Ramadhaan 1433 H (July 31, 2012). 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 years ended December 31 is as follows:

	2014	2013
January 1	90,328	-
Additions	-	102,500
Share in net income (loss)	<u>184,959</u>	<u>(12,172)</u>
December 31	<u>275,287</u>	<u>90,328</u>

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**10 Property, plant and equipment**

	January 1, 2014	Additions	Disposals / transfers	December 31, 2014
<b>2014</b>				
<b>Cost</b>				
Land	2,824,561	-	-	2,824,561
Buildings and leasehold improvements	97,557,114	29,750	(355,632)	97,231,232
Plant and machinery	361,305,083	38,596,040	(26,687,702)	373,213,421
Furniture, fixtures and office equipment	23,141,180	953,421	(15,975)	24,078,626
Vehicles	32,054,956	2,285,268	(2,069,955)	32,270,269
Construction in progress	9,717,698	37,116,000	(24,331,526)	22,502,172
	<u>526,600,592</u>	<u>78,980,479</u>	<u>(53,460,790)</u>	<u>552,120,281</u>
<b>Accumulated depreciation</b>				
Buildings and leasehold improvements	(51,863,422)	(3,045,981)	344,893	(54,564,510)
Plant and machinery	(252,209,268)	(16,452,674)	26,506,000	(242,155,942)
Furniture, fixtures and office equipment	(18,556,480)	(1,821,698)	15,974	(20,362,204)
Vehicles	(24,799,921)	(2,914,202)	1,851,590	(25,862,533)
	<u>(347,429,091)</u>	<u>(24,234,555)</u>	<u>28,718,457</u>	<u>(342,945,189)</u>
	<u>179,171,501</u>			<u>209,175,092</u>
	<b>January 1, 2013</b>	<b>Additions</b>	<b>Disposals / transfers</b>	<b>December 31, 2013</b>
<b>2013</b>				
<b>Cost</b>				
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>
<b>Accumulated depreciation</b>				
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>

Construction in progress at December 31, 2014 and 2013 principally represents costs incurred on certain expansion projects. The Group expects that such projects will be completed in 2015 with a total estimated cost of approximately Saudi Riyals 59.5 million.



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Buildings and plant facilities of BCNC are constructed on plots of land leased under a renewable operating lease agreement at nominal annual rent from the Royal Commission for Jubail and Yanbu for 25 Hijra years beginning from 17 Shaban 1422 H (November 3, 2001).

**11 Accounts payable**

	Note	2014	2013
Trade		17,729,919	18,186,769
Related parties	15	8,878,557	11,651,659
		<u>26,608,476</u>	<u>29,838,428</u>

**12 Accrued and other liabilities**

	2014	2013
Accrued expenses	32,789,755	20,335,345
Advances from customers	317,668	683,123
Other	2,190,794	1,931,525
	<u>35,298,217</u>	<u>22,949,993</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**

	2014	2013
Zakat for BCI	3,913,739	4,225,144
Zakat and income tax for Saudi Arabian subsidiaries	5,683,322	3,938,314
	<u>9,597,061</u>	<u>8,163,458</u>

**13.3 Provision for zakat charged to the consolidated income statement**

	2014	2013
Zakat for BCI	3,960,026	4,333,409
Share of BCI in zakat of subsidiaries	3,546,753	3,954,986
	<u>7,506,779</u>	<u>8,288,395</u>

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**13.4 Provision for zakat and income taxes**

	<b>2014</b>	<b>2013</b>
January 1	<b>8,163,458</b>	12,012,549
Provisions:		
For current year	<b>12,722,255</b>	13,608,408
Adjustments related to prior years	<b>46,287</b>	77,891
Payments	<b>(11,334,939)</b>	(17,535,390)
December 31	<b><u>9,597,061</u></b>	<u>8,163,458</u>

**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 10.4 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 to 2013 are currently under review by the DZIT. The Company has obtained zakat certificates for the years through 2013.

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 2013.

**14 Employee termination benefits**

	<b>2014</b>	<b>2013</b>
January 1	<b>23,054,629</b>	20,870,920
Provisions	<b>3,590,938</b>	5,336,800
Payments	<b>(4,288,622)</b>	(3,153,091)
December 31	<b><u>22,356,945</u></b>	<u>23,054,629</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 consolidated financial statements are summarized below:

	<b>2014</b>	<b>2013</b>
Sales	<b>29,924,251</b>	46,151,916
Purchases	<b>92,764,595</b>	86,119,901
Royalty charged by a related party	<b>7,984,136</b>	7,954,133
Transportation expenses charged by a related party	<b>715,546</b>	1,075,716

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**15.2 Related party balances**

(i) Receivable from related parties

	2014	2013
Henkel Adhesive Limited and its affiliates	6,135,580	4,772,482
Mars-CMDC	151,702	151,702
	<b>6,287,282</b>	<b>4,924,184</b>

(ii) Payable to related parties

	2014	2013
Henkel Adhesives Limited and its affiliates	2,376,557	4,816,485
Huntsman (Saudi Investments) B.V. Netherlands	6,466,000	6,833,424
Globe Marine Services Company	36,000	1,750
	<b>8,878,557</b>	<b>11,651,659</b>

**16 Share capital**

The share capital of the Company as of December 31, 2014 and 2013 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	2014	2013
Salaries and benefits		15,169,993	18,445,351
Transportation		11,492,334	12,921,599
Royalty	15	7,984,136	7,954,133
Depreciation		1,942,478	1,565,162
Advertisement		1,820,669	1,496,564
Commissions		1,068,295	962,213
Traveling		944,282	878,918
Repair and maintenance		883,298	839,759
Rent		795,253	1,086,765
Insurance		576,996	633,027
Other		4,908,417	3,967,546
		<b>47,586,151</b>	<b>50,751,037</b>

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**19 General and administrative expenses**

	<b>2014</b>	<b>2013</b>
Salaries and benefits	<b>18,288,998</b>	19,824,052
Depreciation	<b>2,298,288</b>	2,232,886
Board of Directors' fees	<b>1,200,000</b>	1,200,000
Traveling	<b>1,274,867</b>	1,892,490
Repair and maintenance	<b>1,431,585</b>	1,226,384
Professional fees	<b>2,181,961</b>	950,021
Utilities	<b>510,965</b>	527,413
Provision for doubtful debts and write-offs	<b>3,754,480</b>	(424,548)
Other	<b>3,126,540</b>	2,166,941
	<b>34,067,684</b>	29,595,639

**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, 2014 amounted to Saudi Riyals 2.1 million (2013: Saudi Riyals 2.1 million). There were no significant rental commitments outstanding at December 31, 2014.

**21 Earnings per share**

Earnings per share for the years ended December 31, 2014 and 2013 has been computed by dividing the income from operations and net income for year by weighted average number of shares outstanding during such years.

**22 Dividends**

The shareholders of the Company in their annual general assembly meeting held on April 21, 2014 approved dividends of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 27.5 million during the year ended December 31, 2014 which were fully paid during the year (2013: Saudi Riyals 41.3 million which were fully paid during the year).

Also, on January 19, 2015, the Company's board of directors recommended cash dividends amounting to Saudi Riyals 27.5 million to the shareholders of the Company at Saudi Riyals 1.0 per share.

**23 Contingencies and commitments**

- (i) The Group was contingently liable at December 31, 2014 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 8.4 million (2013: Saudi Riyals 24.2 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2014 was approximately Saudi Riyals 21.5 million (2013: Saudi Riyals 52.0 million).
- (iii) See Note 13.5 for zakat contingencies and also see Note 1.