

**ALUJAIN CORPORATION
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2016

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF ALUJAIN CORPORATION (A SAUDI JOINT STOCK COMPANY) ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Scope of review

We have reviewed the accompanying consolidated balance sheet of Alujain Corporation - a Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiary (the "Group") as at 31 March 2016 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants' standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

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11 Rajab 1437H
18 April 2016

Jeddah

16/270/AIR



ALUJAIN CORPORATION (A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 March 2016

	<i>Note</i>	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		430,981	334,986
Murabaha investments		1,500	-
Accounts receivable		104,102	180,609
Prepayments and other receivables		63,263	57,211
Amounts due from related parties		40,140	25,818
Inventories		228,450	230,945
TOTAL CURRENT ASSETS		868,436	829,569
NON-CURRENT ASSETS			
Investments	4	132,127	81,425
Deferred charges		8,329	14,576
Property, plant and equipment		2,245,971	2,396,654
TOTAL NON-CURRENT ASSETS		2,386,427	2,492,655
TOTAL ASSETS		3,254,863	3,322,224
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		70,870	48,463
Accruals and other liabilities		159,124	205,516
Amounts due to related parties		1,395	2,357
Current portion of long term loans	5	260,180	231,860
Provision for zakat		15,844	17,096
TOTAL CURRENT LIABILITIES		507,413	505,292
NON-CURRENT LIABILITIES			
Long term loans	5	945,744	1,200,009
Derivative financial instruments		10,942	41,531
Employees' terminal benefits		28,715	24,433
TOTAL NON-CURRENT LIABILITIES		985,401	1,265,973
TOTAL LIABILITIES		1,492,814	1,771,265
SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the Parent Company			
Share capital		692,000	692,000
Statutory reserve		50,848	39,993
Retained earnings		301,794	187,260
Cumulative changes in fair values of derivatives		(5,817)	(22,002)
Total equity attributable to the shareholders of the Parent Company		1,038,825	897,251
Non-controlling interest		723,224	653,708
TOTAL SHAREHOLDERS' EQUITY		1,762,049	1,550,959
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,254,863	3,322,224

The attached notes 1 to 8 form part of these unaudited interim consolidated financial statements.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the three-month period ended 31 March 2016

	<i>Note</i>	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Sales		304,736	220,700
Cost of sales		<u>(257,272)</u>	<u>(205,658)</u>
GROSS PROFIT		47,464	15,042
EXPENSES			
Selling and distribution		(4,363)	(4,543)
General and administration		<u>(13,819)</u>	<u>(13,786)</u>
INCOME / (LOSS) FROM MAIN OPERATIONS		29,282	(3,287)
OTHER (EXPENSES) / INCOME			
Share in loss of joint ventures	4(a)	(2,071)	(3,934)
Financial charges		(13,502)	(16,033)
Project cost expensed		(2,399)	(1,205)
Amortization of deferred charges		(1,479)	(1,479)
Amortization of deferred financial charges		(1,562)	(1,562)
Impairment of available-for-sale investments	4(c)	(84)	(111)
Changes in fair value of derivatives financial instruments		625	1,071
Foreign currency exchange (loss)/ gain		(62)	813
Other income		<u>482</u>	<u>560</u>
INCOME / (LOSS) BEFORE ZAKAT AND NON- CONTROLLING INTEREST		9,230	(25,167)
Zakat		<u>(3,050)</u>	<u>(2,141)</u>
INCOME / (LOSS) BEFORE NON-CONTROLLING INTEREST		6,180	(27,308)
Income / (loss) attributable to non-controlling interest		<u>(4,007)</u>	<u>10,478</u>
NET INCOME / (LOSS) FOR THE PERIOD		2,173	(16,830)
EARNINGS PER SHARE			
Weighted average number of ordinary shares outstanding (in thousand)		<u>69,200</u>	<u>69,200</u>
Earnings per share on income/(loss) from main operations (in SR per share)	6	<u>0.42</u>	<u>(0.05)</u>
Earnings per share on net income / (loss) for the period (in SR per share)	6	<u>0.03</u>	<u>(0.24)</u>

The attached notes 1 to 8 form part of these unaudited interim consolidated financial statements.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2016

	<i>Note</i>	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
OPERATING ACTIVITIES			
Net income / (loss) for the period		2,173	(16,830)
Adjustments for:			
Depreciation		39,831	44,656
Amortization of deferred charges		1,479	1,479
Amortization of deferred financial charges		1,562	1,562
Impairment of available for sale investments	4(c)	84	111
Zakat provision		3,050	2,141
Income / (loss) attributable to non-controlling interest		4,007	(10,478)
Financial charges		13,502	16,033
Provision for employees' terminal benefits		1,757	1,665
Changes in fair value of derivatives financial instruments		(625)	(1,071)
Income from investments in Murabaha		(17)	-
Share in loss of joint ventures	4(a)	2,071	3,934
		<u>68,874</u>	<u>43,202</u>
Changes in operating assets and liabilities:			
Accounts receivable		94,957	136,307
Prepayments and other receivables		(10,918)	20,745
Amounts due from related parties		(2,308)	(8,824)
Inventories		24,669	54,559
Accounts payable		(23,986)	(69,582)
Accruals and other payables		2,216	5,432
Amounts due to related parties		888	1,025
		<u>154,392</u>	<u>182,864</u>
Cash from operations		154,392	182,864
Financial charges paid		(13,502)	(16,033)
Zakat paid		-	(7,139)
Employees' terminal benefits paid		(61)	(210)
		<u>140,829</u>	<u>159,482</u>
Net cash from operating activities		140,829	159,482
INVESTING ACTIVITIES			
Investments		-	(48,000)
Net movement in Murabaha investments		4,517	-
Purchase of property, plant and equipment		-	(112,027)
		<u>4,517</u>	<u>(160,027)</u>
Net cash from / (used in) investing activities		4,517	(160,027)

The attached notes 1 to 8 form part of these unaudited interim consolidated financial statements.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)
 CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
 For the three-month period ended 31 March 2016

	<i>Note</i>	2016 SR'000	2015 SR'000
FINANCING ACTIVITIES			
Net movement in short-term loans		-	(73,221)
Net movement in non-controlling interest		(22,791)	-
Net cash used in financing activities		(22,791)	(73,221)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		122,555	(73,766)
Cash and cash equivalents at beginning of the period		308,426	408,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		430,981	334,986
SUPPLEMENTAL NON-CASH INFORMATION			
Expenses charged by related party	4(a)	(62)	-

The attached notes 1 to 8 form part of these unaudited interim consolidated financial statements.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2016

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Cumulative changes in fair values of derivatives SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2015 (audited)	692,000	50,631	299,838	(4,987)	1,037,482
Net income for the period from 1 January 2016 to 31 March 2016	-	-	2,173	-	2,173
Transfer to statutory reserves	-	217	(217)	-	-
Fair value adjustments	-	-	-	(830)	(830)
Balance at 31 March 2016 (unaudited)	692,000	50,848	301,794	(5,817)	1,038,825
Balance at 31 December 2014 (audited)	692,000	39,993	204,090	(18,584)	917,499
Net loss for the period from 1 January 2015 to 31 March 2015	-	-	(16,830)	-	(16,830)
Fair value adjustments	-	-	-	(3,418)	(3,418)
Balance at 31 March 2015 (unaudited)	692,000	39,993	187,260	(22,002)	897,251

The attached notes 1 to 8 form part of these unaudited interim consolidated financial statements.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016

1 ACTIVITIES

Alujain Corporation (the "Company" or "Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated 15 Jamad Thani 1412H, corresponding to 21 December 1991. The Company obtained its Commercial Registration No. 4030084538 on 3 Rajab 1412H, corresponding to 7 January 1992. The Parent Company is listed on the Saudi Stock Exchange.

The objectives of the Company are to promote and invest in metal and petrochemical industries and other industrial projects.

The head office of the Company is located in Jeddah and no branches registered under Company's commercial registration.

During 2015, the subsidiary company's ("NATPET") Propylene and Polypropylene Complex in Yanbu Industrial City remained shut down for a period of 32 days started 22 January 2015 for planned turnaround procedures.

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The interim consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

The interim consolidated financial statements are expressed in Saudi Riyals, being the functional currency of the Parent Company and have been rounded off to the nearest thousand, unless otherwise specified.

The results presented in the interim consolidated financial statements may not be an accurate indicator of the annual financial result.

2.2 BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, National Petrochemical Industrial Company – a Closed Saudi Joint Stock Company ("NATPET"), (collectively "the Group") in which the Company owns 57.40% (31 March 2015: 57.40%) ownership interest. NATPET is in the business of manufacturing and selling polypropylene. NATPET polypropylene (PP) complex in Yanbu industrial city commenced commercial production on 6 August 2010.

All material inter-group transactions and balances have been eliminated on consolidation.

The consolidated statement of income in these interim consolidated financial statements includes the results of operations of NATPET, for the three-month period then ended, and the consolidated balance sheet includes the assets and liabilities of NATPET, as at 31 March 2016. The Parent Company has control over the operations and management of NATPET. Hence, NATPET has been considered as a subsidiary and consolidated in these interim consolidated financial statements.

Subsidiary

Subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. Subsidiaries are consolidated from the date the Group obtains control until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from Parent Company's shareholders' equity.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of the interim consolidated financial statements are in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual consolidated financial statements for the year ended 31 December 2015.

The interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting except for derivative financial instruments which are stated at fair value.

The significant accounting policies adopted are as follows:

Use of estimate

The preparation of the interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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, if any.

Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Any subsequent recoveries of amounts previously written-off are credited in the consolidated statement of income.

Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labour 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.

Allowance is made whenever necessary for obsolete and slow moving inventories

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity over which the Group exercises significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change and discloses this, when applicable, in the interim consolidated statement of changes in shareholder's equity. Unrealised profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of interest in an associate. When the Group's share of losses in associate equals or exceeds its interest in the associate company, 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.

The financial statements of the associates are prepared for the same period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investment in joint venture

Investments in joint venture are accounted for using the equity method of accounting and are initially recognized at cost. The Group's share of its joint ventures post-acquisition income or losses is recognized in the consolidated statement of income 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 joint ventures equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and included under non-current assets unless they are intended to be sold in the next fiscal year. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. If the fair value as mentioned above is not available, the cost shall be the most appropriate, subjective and reliable alternative for the fair value of the securities. Accordingly, the Group carries unquoted securities at cost less impairment.

Cumulative adjustments arising from revaluation of these investments, if any, are reported as separate component of equity as fair value reserve until the investment is disposed.

Murabaha investments

Murabaha investments include investment with banks and other short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

Expenditure for repair and maintenance are charged to consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

The cost of planned turnaround are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of the 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 cost.

Deferred charges

Costs that are not of benefit beyond the current period are charged to the consolidated statement of income, while costs that will benefit future periods are capitalized. Deferred charges, in the interim consolidated balance sheet, include certain indirect construction costs which are amortized over periods which do not exceed seven years.

Projects under study

Projects under study are stated at cost and are provided for to the extent that they may not be recoverable on the basis of a review of each project and an assessment of the outcome. Project costs are written off when a project is no longer considered viable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Non-financial assets subject to amortization 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-financial assets other than intangible 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 periods. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on intangible assets are not reversible.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations and such derivative financial instruments are classified as cash flow hedges. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the consolidated statement of income.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss on the effective portion of the hedging instrument directly in equity, while any ineffective portion is recognized immediately in the consolidated statement of income.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss such as when the hedged financial income or financial expense is recognized.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to consolidated statement of income.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) At 31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs and front end fees incurred. 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 consolidated statement of income. Upfront fee paid on borrowings is amortized over term of the loan.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

The Group withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

Operating leases

Rental expenses under operating leases are charged to the consolidated statement of income over the period of the respective lease.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyal 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income, except for the qualify cash flow hedge.

Employees' end of service benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated years of service at the balance sheet date.

Revenue recognition

Revenue represents the invoiced value of goods supplied by the Group during the period. Revenue from sales of goods are recognized when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue are shown net of discounts and transportation expenses.

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. Allocation between selling, distribution and general and administrative expenses and production costs, when required, are made on a consistent basis.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the interim consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Segment reporting

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

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2016

4 INVESTMENTS

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Investment in joint ventures (note 4(a))	66,817	71,003
Investment in an associate (note 4(b))	9,055	9,055
Available-for-sale investments (note 4(c))	56,255	1,367
	<u>132,127</u>	<u>81,425</u>

4(a) Investment in joint ventures consists of the following:

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Bonar Natpet Company (see note (i) below)	14,453	18,003
Natpet Schulman Specialty Plastic Compounding L.L.C. (see note (ii) below)	52,364	53,000
	<u>66,817</u>	<u>71,003</u>

(i) The subsidiary company ("NATPET") has signed a joint venture agreement with an entity based in the Netherlands to set up a manufacturing plant in Yanbu to produce staple and fibre and non-woven textiles. NATPET owns a 50% stake in joint venture. The joint venture obtained its commercial registration in October 2012. The joint venture has signed a loan agreement with Saudi Industrial Development Fund (SIDF) during 2013 amounting to SR 76.6 million in order to finance the construction of its project. NATPET has provided corporate guarantee of 50% to SIDF for the loan. The movement in the investment in joint venture during the three-month period, is as follows:

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
At 1 January	16,148	21,937
Share in loss of joint venture	(1,695)	(3,934)
At 31 March	<u>14,453</u>	<u>18,003</u>

(ii) During 2013, the subsidiary company ("NATPET") has signed a joint venture agreement with plastic compounder based in the United States through its entity in the Netherlands to set up a manufacturing plant in Yanbu to produce polypropylene compounds. NATPET owns a 50% stake in the joint venture. The joint venture was initially registered with a capital of SR 10 million in the first quarter of 2014. However, subsequently, the joint venture increased its capital to SR 106 million and NATPET paid SR 48 million against its share of investment in the increased capital in January 2015. The joint venture obtained a commercial registration during the first quarter of 2014, however, as of 31 March 2016, the operations have not yet commenced. The joint venture has signed a loan agreement with SIDF during 2015 amounting to SR 100 million in order to finance the construction of its project. NATPET has provided corporate guarantee of 50% of the loan amount to SIDF.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2016

4 INVESTMENTS (continued)

The movement in the investment in joint venture during the three-month period is as follows:

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
At 1 January	52,678	5,000
Additional investment during the period	-	48,000
Share in loss of joint venture	(376)	-
Expenses charged by related party	62	-
	<u>52,364</u>	<u>53,000</u>
At 31 March	<u>52,364</u>	<u>53,000</u>

4(b) The Company's investment in an associate represents its equity ownership in Zain Industries Company (Zain). The Company has an ownership percentage of 49.38% as at 31 March 2016 (31 March 2015: 49.38%). Zain started commercial operations during late 2010. The Group does not have and never had other than temporary control over Zain, therefore, the Group never consolidated the financial statements of Zain. The share of profit / loss of the associate during the period is insignificant to the Group.

4(c) Available-for-sale investments consist of the following:

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Arabian Industrial Fibers Company (Ibn Rushd) (note (i) below)	5	1,367
Siluria Technologies Company (note (ii) below)	56,250	-
	<u>56,255</u>	<u>1,367</u>

(i) This represents the Parent Company's investment in a Saudi Closed Joint Stock Company with 0.113% share of capital. The fair value of the investments could not be determined, therefore, this investment is accounted for at cost less impairment. The movement in the investment during the three-month period ended 31 March 2016, is as follows:

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
At 1 January	89	1,478
Impairment	(84)	(111)
	<u>5</u>	<u>1,367</u>
At 31 March	<u>5</u>	<u>1,367</u>

(ii) During 2015, the subsidiary company ("NATPET") invested in Series E preference shares of a US based private entity, Siluria Technologies, for purchase consideration of USD 15 million (SR 56.25 million) and classified the investment as available-for-sale. The fair value of the investment could not be determined, therefore, investment is accounted for at cost.

ALUJAIN CORPORATION (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) At 31 March 2016

5 LONG TERM LOANS

	2016 SR'000	2015 SR'000
Commercial banks' syndication (a)	777,960	854,820
Public Investment Fund (PIF) loan (b)	375,000	450,000
Saudi Industrial Development Fund (SIDF) loan (c)	40,000	120,000
Others	21,645	21,645
	<u>1,214,605</u>	<u>1,446,465</u>
Less: Deferred financial charges	(8,681)	(14,596)
	<u>1,205,924</u>	<u>1,431,869</u>
Less: Current portion of long term loans	(260,180)	(231,860)
	<u>945,744</u>	<u>1,200,009</u>

- (a) In July 2013, the subsidiary company ("NATPET") signed an Islamic Facility Agreement of SR 1 billion with a Syndication of Commercial Banks. The proceeds of this facility were used to fully repay the Islamic Bridge Facility loan of SR 974 million. The loan carries borrowing cost at commercial rates. This facility is secured through second charge on NATPET's plant and machinery. NATPET has entered into a concurrent interest rate swap contract with local commercial banks to hedge the variable interest rate cash flows on the commercial banks' syndication loan. The term loan repayments are spread from 2013 to 2021.
- (b) The subsidiary company ("NATPET") has signed a loan agreement with Public Investment Fund (PIF) on 23 June 2008 for a loan of USD 125 million (SR 468.75 million) which was fully drawn in 2008. NATPET signed an additional loan agreement with PIF on 5 January 2010 for an amount of USD 75 million (SR 281.25 million) which was fully drawn during 2010. The term loan is repayable in 20 bi-annual repayments which started in June 2011. The facility's payment obligations rank parri passu with the claim of all NATPET's other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.
- (c) The subsidiary company ("NATPET") has signed a loan agreement with SIDF in August 2006 for an amount of SR 400 million which was fully drawn. The SIDF loan carries upfront fees amounting to SR 30 million, which was recorded as deferred financial charges and is being amortized over the term of the loan on a straight line basis. The SIDF term loan is repayable in 13 bi-annual instalments started in July 2010 and is secured by mortgage over the plant and machinery of the projects, corporate guarantees and a comfort letter.

6 EARNINGS PER SHARE

Earnings per share for the periods have been computed by dividing the income/ (loss) from main operations and net income/ (loss) for such periods by the number of weighted average of ordinary shares outstanding during the period.

7 SEGMENTAL INFORMATION

The Group conducts its business in Saudi Arabia (one geographical region) and mainly engaged in Polypropylene (PP) for various industrial use.

8 BOARD OF DIRECTORS' APPROVAL

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 18 April 2016, corresponding to 11 Rajab 1437H.