

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014

	Page
Independent accountants' limited review report	2
Interim consolidated balance sheet	3
Interim consolidated income statement	4
Interim consolidated cash flow statement	5
Interim consolidated statement of changes in shareholders' equity	6
Notes to the interim consolidated financial statements	7 - 15



LIMITED REVIEW REPORT

April 21, 2014

To the Shareholders of Alujain Corporation
(A Saudi Joint Stock Company)

Scope of Review


We have reviewed the accompanying interim consolidated balance sheet of Alujain Corporation (the "Company") and its subsidiary (collectively referred to as the "Group") as of March 31, 2014 and the interim consolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group'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 standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review 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 for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

By: 
Yaseen Abu Alkheer
License Number 375



PricewaterhouseCoopers, Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
(All amounts in Thousand Saudi Riyals unless otherwise stated)

		As at March 31,	
	Note	2014 (Unaudited)	2013 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		260,117	56,568
Investments in Murabaha Funds		12,000	21,039
Accounts receivable, net		246,417	141,804
Prepayments and other receivables		41,322	45,831
Due from related parties		16,489	39,747
Inventories, net		337,235	303,337
		<u>913,580</u>	<u>608,326</u>
Non-current assets			
Investments, net	3	48,428	44,224
Projects in progress	4	251	11,662
Deferred charges, net	5	20,824	27,071
Property, plant and equipment, net		<u>2,444,640</u>	<u>2,586,200</u>
		<u>2,514,143</u>	<u>2,669,157</u>
Total assets		<u><u>3,427,723</u></u>	<u><u>3,277,483</u></u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	6	18,750	194,932
Current portion of long-term loans	7	244,670	140,000
Accounts payable		130,352	41,902
Accruals and other liabilities		219,014	175,778
Due to related parties		173	3,461
Zakat provision		<u>16,488</u>	<u>8,906</u>
		<u>629,447</u>	<u>564,979</u>
Non-current liabilities			
Long-term loans	7	1,425,955	1,590,432
Derivatives financial instruments		47,703	73,537
Employees' termination benefits		<u>19,599</u>	<u>16,703</u>
		<u>1,493,257</u>	<u>1,680,672</u>
Total liabilities		<u>2,122,704</u>	<u>2,245,651</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital	8	692,000	692,000
Statutory reserve	9	24,732	17,316
Cumulative changes in fair values of derivatives		(23,021)	(35,222)
Retained earnings / (accumulated deficit)		<u>66,744</u>	<u>(66,326)</u>
Total shareholders' equity		<u>760,455</u>	<u>607,768</u>
Non-controlling interest		<u>544,564</u>	<u>424,064</u>
Total equity		<u>1,305,019</u>	<u>1,031,832</u>
Total liabilities and equity		<u><u>3,427,723</u></u>	<u><u>3,277,483</u></u>

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim consolidated income statement
(All amounts in Thousand Saudi Riyals unless otherwise stated)

	Note	Three-month period ended March 31,	
		2014 (Unaudited)	2013 (Unaudited)
Sales		452,752	271,406
Cost of sales		(384,142)	(252,068)
Gross profit		68,610	19,338
Operating expenses			
General and administrative expenses		(12,751)	(13,410)
Selling and distributions expenses		(5,079)	(5,789)
Income from operations		50,780	139
Other (expenses) / income			
Financial charges	7	(18,467)	(20,624)
Projects cost		(1,479)	(1,842)
Foreign currency exchange loss		779	(2,016)
Change in fair value of derivatives financial instruments		947	1,979
Amortization of deferred charges		(3,041)	(2,348)
Provision against available for sale investments		(610)	(204)
Other income		105	75
Income / (loss) before zakat and non-controlling interest		29,014	(24,841)
Zakat		(900)	(423)
Income / (loss) before non-controlling interest		28,114	(25,264)
Non-controlling interest		(13,340)	9,371
Net income / (loss) for the period		14,774	(15,893)
Earnings / (loss) per share:			
Income from operation	10	0.73	0.002
Net income / (loss) for the period	10	0.21	(0.23)

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Thousand Saudi Riyals unless otherwise stated)

	Three-month period ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net income / (loss) for the period	14,774	(15,893)
<u>Adjustments for non-cash items</u>		
Depreciation	43,958	45,043
Amortization of deferred charges	3,041	2,348
Provision against available for sale investments	610	204
Zakat provision	900	423
Change in fair value of derivative financial instruments	(947)	(1,979)
Income from investments in Murabaha Funds	(30)	-
Non-controlling interest	13,340	(9,371)
Employees' termination benefits provision	403	911
Financial charges	18,467	20,624
<u>Changes in working capital:</u>		
Accounts receivable	72,993	120,603
Prepayments and other receivables	(11,733)	(10,342)
Due from related parties	(1,336)	(9,728)
Inventories	(24,050)	(19,964)
Accounts payable	4,158	(96,860)
Accruals and other liabilities	5,603	(25,062)
Due to related parties	(3,098)	(1,371)
Net cash generated from / (utilized in) operating activities	137,053	(414)
Cash flow from investing activities		
Movement of short-term investments in Murabaha Funds	3,030	(13,004)
Purchase of property, plants and equipment	(6,907)	(45,427)
Net cash utilized in investing activities	(3,877)	(58,431)
Cash flow from financing activities		
Short-term loan	(123,746)	74,932
Change in non-controlling interest	(1,527)	1,886
Financial charges	(18,467)	(20,624)
Net cash (utilized in) / provided by financing activities	(143,740)	56,194
Net decrease in cash and cash equivalents	(10,564)	(2,651)
Cash and cash equivalents - beginning of the period	270,681	59,219
Cash and cash equivalents - end of the period	260,117	56,568

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

ALUJAIN CORPORATION**(A Saudi Joint Stock Company)****Interim consolidated statement of changes in shareholders' equity****(All amounts in Thousand Saudi Riyals unless otherwise stated)**

		Three-month period ended March 31,	
	Note	2014 (Unaudited)	2013 (Unaudited)
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the company:			
Capital	8	692,000	692,000
Statutory reserve	9		
Beginning balance		23,255	17,316
Transfer from retained earnings		1,477	-
Ending balance		24,732	17,316
Cumulative changes in fair values of derivatives			
Beginning balance		(20,963)	(37,763)
Fair value adjustments		(2,058)	2,541
Ending balance		(23,021)	(35,222)
Retained earnings / (accumulated deficit)			
Beginning balance		53,447	(50,433)
Income / (loss) for the period		14,774	(15,893)
Transfer to statutory reserve		(1,477)	-
Ending balance		66,744	(66,326)
Total shareholders' equity in the company		760,455	607,768
Non-controlling interest			
Beginning balance		532,751	431,549
Net income / (loss) for the period attributable to non-controlling interest		13,340	(9,371)
Movement during the period		(1,527)	1,886
Ending balance		544,564	424,064
Total shareholders' equity		1,305,019	1,031,832

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

1 General information

Alujain Corporation (the "Company") and its subsidiary (collectively the "Group") consist of the Company and its subsidiary, National Petrochemical Industrial Company (NATPET) and is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated Jamad Thani 15, 1412H (corresponding to December 21, 1991). The Company obtained its Commercial Registration on Rajab 3, 1412H (corresponding to January 7, 1992).

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

The accompanying interim consolidated financial statements include the accounts of the Company and its subsidiary, NATPET in which the Company owns 57.4% ownership interest (2011: 57.4%). NATPET is in the business of manufacturing and selling Polypropylene. NATPET's Polypropylene (PP) Complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

During the quarter ended March 31, 2013, the Group announced that, in line with the normal industrial practice, its subsidiary's National Petrochemical Industrial Co. (NATPET) Propylene and Polypropylene Complex in Yanbu Industrial City is shut down for a period of approximately 22 days starting January 27, 2013 for turnaround procedures and for implementing the production and equipment enhancement. Due to certain unforeseen mechanical maintenance requirements, the shutdown was extended for another period of 17 days in order to complete the maintenance.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and derivative financial instruments to fair value, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Period of the financial statements

The interim financial statements for the period ended March 31, 2014 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the company's audited financial statements for the year ended December 31, 2013.

2.3 Critical accounting estimates and judgments

The preparation of interim consolidated 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 date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. 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. Management makes estimates and assumptions concerning the future which, by definition, seldom equal the related actual results.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.4 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. Also, subsidiaries are not consolidated if the control is temporary, such subsidiaries are accounted for using the equity method of accounting.

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. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries, to the extent any, is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint venture

Associates are entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates and joint venture are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates and joint venture post-acquisition income or losses is recognized in the interim 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 on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the associates and joint venture. 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 interim consolidated income statement

(c) Short-term investments in Murabaha funds

Short-term investments in Murabaha funds are carried at fair value and included under current assets. Changes in fair values are included in the interim consolidated income statement.

(d) Available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments including investments in mutual funds. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the interim consolidated financial statements date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.4 Investments (continued)

(d) Available-for sale investments (continued)

- (i) 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
- (ii) 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.

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

2.5 Foreign currency translations

(a) Reporting currency

The interim consolidated financial statements of the Group 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 interim consolidated income statement.

2.6 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 interim consolidated income statement and reported under "General and administrative expenses". When accounts receivable are uncollectible, they are written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited in the interim consolidated income statement.

2.7 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 twelve-months or less from the purchase date, if any.

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 interim 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:

	Number of years
• Leasehold improvements	3 - 10
• Buildings	20
• Vehicles	4
• Furniture and fixtures	5 - 10
• Office equipment	5 - 10
• Computers	3 - 4
• Plant and equipment	10 - 20
• Laboratory and safety tools	5 - 10

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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

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

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 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.

2.9 Deferred charges

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

2.10 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, 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.

2.11 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 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 interim consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.12 Projects in progress

Projects in progress is stated at cost and is 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.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 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 interim consolidated income statement.

2.14 Accounts payable and accruals

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

2.15 Provisions

Provisions are recognized, when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2.16 Zakat

The Company and its Saudi Arabian subsidiary are subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (DZIT). Provision for zakat for the company and its Saudi Arabian subsidiary is charged to the interim consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

2.17 Operating leases

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

2.18 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the interim 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 periods of service, as stated in the laws of Saudi Arabia.

2.19 Derivative financial instruments and hedging

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. 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 year that do not qualify for hedge accounting are taken directly to the interim consolidated income statement.

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 periods for which they were designated.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.19 Derivative financial instruments and hedging (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the interim consolidated income statement.

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 or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

2.20 Segment reporting

(a) Business segment

A business segment is a group of assets and operations:

- (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 a group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.21 Revenue recognition

Revenues are recognized upon delivery of products and customer acceptance. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Revenue from sale made through the off-taker and marketer are recognized upon delivery and are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the off-taker and marketer from third parties net of actual selling and distribution costs incurred by the marketers as the marketing fee to cover all other marketing expenses. Adjustments are made, as they became known to the Group.

Dividend income is recognized when the right to receive payment is established.

2.22 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.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

3 Investments

	As at March 31	
	2014	2013
Investment in joint ventures (a)	37,000	32,000
Investment in an associate (b)	9,816	9,816
Available for sale investments	1,612	2,408
	48,428	44,224

(a) Investment in joint ventures consist of the following:

	As at March 31	
	2014	2013
BONAR – NATPET (*)	32,000	32,000
NATPET – SCHULMAN (**)	5,000	-
	37,000	32,000

(*) NATPET has signed a Joint Venture agreement with an entity based in the Netherlands to set up a manufacturing plant in Yanbu for producing staple fiber and non-woven textiles. NATPET owns a 50% stake in the Joint Venture. The joint venture obtained its commercial registration in October 2012 and is expected to commence commercial operations during the second quarter of 2014. The joint venture has signed a loan agreement with SIDF during 2013 amounting to Saudi Riyals 76.6 million in order to finance the construction of its project. NATPET has provided a corporate guarantee of 50% to SIDF for the loan.

(**) During 2013, NATPET has signed a Joint Venture agreement with an entity based in the Netherlands to set up a manufacturing plant in Yanbu to produce polypropylene compounds. The Company owns a 50% stake in the Joint Venture. The legal formalities for forming and registering the Joint Venture in Saudi Arabia were formalized during first quarter of 2014, however, the operations have not yet commenced.

(b) The Company's investment in an associate represents its equity ownership in Zain Industries Company (Zain) (formerly Arab Pesticides Industries Company Limited (MOBEED)), an associated company. The Company has an ownership percentage of 52.21% as of March 31, 2014 and 2013. Zain started commercial operations during late 2010 and is currently under a restructuring and stabilising period. The Company control in Zain is temporary, therefore, the Company did not consolidate its investment in Zain.

4 Projects in progress

	As at March 31	
	2014	2013
Projects in progress	251	11,662

Projects in progress principally relate to the costs of new petrochemical projects at the initial stages.

5 Deferred charges

	As at March 31	
	2014	2013
Deferred charges, net of amortization	20,824	27,071

Deferred charges principally relate to certain indirect construction costs incurred by the subsidiary during the setting up of the plant to the extent they provide future benefits. These deferred charges are amortized over a period that does not exceed seven years.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

6 Short term loans

The Subsidiary company has signed an agreement with Arab Banking Corporation-Bahrain in March 2013 for financing of receivables amounting to Saudi Riyals 75 million and working capital facility amounting to Saudi Riyals 30 million. The loan balance was Saudi Riyals 18.7 million as of March 31, 2014 (2013: Nil).

The Subsidiary has signed an agreement with the Saudi Export Fund on August 10, 2012 for export finance facility of Saudi Riyals 75 million. The facility is available for a period of three years from the date of signing. The loan balance was Saudi Riyals nil as of March 31, 2014 (2013: Saudi Riyals 194.9 million).

7 Long-term loans

The subsidiary (NATPET) has signed loan agreements with a syndication of commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF) in order to finance the construction of its project. The loan balance is comprised of the following as of March 31:

	As at March 31	
	2014	2013
Islamic bridge / commercial Banks' syndication (a)	944,490	853,714
Public Investment Fund loan (b)	525,000	600,000
SIDF Loan (c)	200,000	265,000
Others	21,645	21,645
	1,691,135	1,740,359
Less: Deferred financial charges	(20,510)	(9,927)
	1,670,625	1,730,432
Less: Current portion of long-term loans	(244,670)	(140,000)
Non-current portion of long-term loans	1,425,955	1,590,432

- (a) In September 2012 the subsidiary company signed an Islamic Bridge Facility Agreement for Saudi Riyals 974 million with Banque Saudi Fransi and SAMBA Financial Group. The proceeds of this Facility were used to fully repay its previous term loans with Commercial Banks and for working capital needs and equity investments. This loan was fully repaid during 2013.

In July 2013 the subsidiary company has signed an Islamic Facility Agreement of Saudi Riyals 1 billion with a Syndication of Commercial Banks. The proceeds of these Facilities were used to fully repay the Islamic Bridge Facility loan of Saudi Riyals 974 million. The loan carries borrowing cost at commercial rates. This facility is secured through second charge on the Subsidiary's assets.

- (b) The Subsidiary has signed a loan agreement with Public Investment Fund (PIF) in June 2008 for a loan of USD 125 million (Saudi Riyals 468.75 million) which was fully drawn in 2008. The Subsidiary signed an additional loan agreement with PIF on January 5, 2010 for an amount of USD 75 million (Saudi Riyals 281.25 million) which was fully drawn during 2010. The term loan is repayable in 20 bi-annual installments starting on June 30, 2011. The installments due in the next 12 months are shown as a current liability.
- (c) The Subsidiary has signed a loan agreement with SIDF in August 2006 for an amount of Saudi Riyals 400 million which was fully drawn. The SIDF loan carries project evaluation fees amounting to Saudi Riyals 30 million, which was recorded as deferred financial charges net of borrowing. The balance of Saudi Riyals 6.8 million as at March 31, 2014 (2013: Saudi Riyals 9.9 million), is being amortized over the term of the loan on a straight line basis. The SIDF term loan is repayable in 13 bi-annual installments starting in July 2010 and is secured by a mortgage over the fixed assets of the project and corporate guarantees and a comfort letter.

8 Share capital

The share capital of the Company as of March 31, 2014 was comprised of 69,200,000 shares at Saudi Riyals 10 per share.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period March 31, 2014 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

9 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve, until such reserve equals 50% of its share capital. During the three-month period ended March 31, 2014, the Company transferred Saudi Riyals 1.4 million to statutory reserve (2013: nil). This reserve is not available for distribution to the shareholders.

10 Earnings / (loss) per share

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

11 Segment information

The Group conducts its business in Saudi Arabia (one of geographical region) and produces polypropylene (mainly one product) for various industrial use. Accordingly, segment information is not applicable.

12 Reclassification

Certain reclassifications have been made in the comparative March 31, 2013 interim consolidated financial statements to conform with March 31, 2014 presentation.