ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

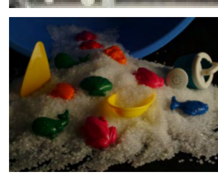
BOARD OF DIRECTORS' REPORT FOR THE YEAR 2010

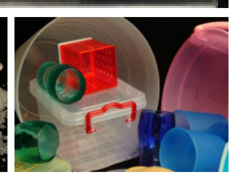
The Board of Directors is pleased to present its annual report together with the audited financial statements for the year ended December 31, 2010.

Alujain Corporation's objective is to identify, evaluate, promote, develop and invest in major industrial projects in the petrochemicals, mining, metals and energy sectors in the Kingdom of Saudi Arabia by taking advantage of the Kingdom's natural resources. Pursuant to these objectives the Company acquired majority (57.4%) equity ownership in the National Petrochemical Industrial Company (NATPET).

NATPET operates a 400,000 tons capacity Propylene & Polypropylene Complex in Yanbu Industrial City. NATPET started its commercial operations during the 3rd quarter 2010 producing various grades of HOMO and COPO polypropylene that are used in many different downstream industries, both in industrial and consumer applications, such as structural plastics and as fibers. NATPET sold Polypropylene to different countries world-wide including neighboring Middle Eastern countries, as well as locally.

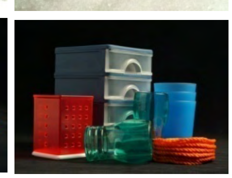
NATPET is basically an export oriented industry with 99% of the total sales exported to China, SE Asia, Turkey, Europe and Middle East. The revenue for the year since the start of commercial production on 6 August 2010 amounted to SR 852 Million through sale of 174,600 Tons of Polypropylene of different grades.





NATPET recorded a net surplus of SR 136.5 million from the sales of its trial production, also received a startup delay claim of SR 46.5 million from its insurers and a total amount of SR 131.3 million from its main contractor Lurgi/APSA as Global Settlement on acceptance of the plant including all claims and counter claims, payment of the last milestones, payment of the delay liquidated damages and performance liquidated damages. As all these amounts pertain to the construction phase of the plant, Natpet reduced the net revenues from the plant cost as required by prevailing applicable accounting standards.

NATPET produced, including trial production, a total of 347,000 metric tons of Propylene and 342,000 metric Tons of Polypropylene during the year.



On the other hand, Alujain entered into several contracts with the shareholders of Arab Pesticide Industries Company Limited (Mobeed) to acquire their respective shareholdings. The legal formalities regarding transfer of purchased shares are in process and expected to be completed during the 1st half of 2011. Once the legal formalities are completed, Alujain will start consolidating Mobeed results depending upon the criteria defined by Saudi Organization of Certified Public Accountants (SOCPA). Meanwhile, Mobeed has added a new business line of Fast Moving Consumer Goods (FMCG) to its existing Agrochemicals production including pesticides, insecticides, herbicides etc. at its manufacturing facilities in Jubail Industrial City. Mobeed plant remained closed since 2005 until Alujain acquired it in 2008. However, with some repairs and maintenance it has already started producing and marketing certain household insecticide Aerosol products and is expected to start some other FMCG products soon.

Meanwhile, Alujain has been considering few polypropylene downstream opportunities. However, after the cancellation of the share swap process, referred in II(d) hereinbelow, the management has decided to have these projects implemented under its subsidiary NATPET, while Alujain will continue to support the development of these projects.

Alujain and its subsidiaries are not planning to discontinue any of their operations.

In compliance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA), the financial statements of Alujain are consolidated to include NATPET as subsidiary.

I. FINANCIAL HIGHLIGHTS

The current year's Profit and Loss (P&L) Summary reflects consolidated results whereby sales of SR852.1 million from sales of 174,600 metric tons of polypropylene products, gross profit of SR 179.0 million and a net profit of SR 42.2 million were attained since the start of commercial operations. Also, the consolidated P&L summary for the current year reflects certain impairment losses on delay of plant start-up of SR 177.8 million which were fully recovered from the insurers and main contractor for the plant. Such impairment losses and subsequent recoveries are presented in the consolidated P&L summary as separate economic events as per applicable accounting standards.

A. *Five-Years Profit and (Loss) Summary**
(2006 reflects stand-alone figures)

	Year ended December 31				
	2010 (SR '000)	**2009 (SR '000)**	**2008 (SR '000)**	**2007 (SR '000)**	**2006 (SR '000)**
Sales	852,133	0	0	0	0
Cost of sales	(673,116)	0	0	0	0
Gross profit	179,017	0	0	0	0
Operating expenses	(73,569)	(67,779)	(61,863)	(59,400)	(7,022)
Net operating income (loss)	105,448	(67,779)	(61,863)	(59,400)	(7,022)
Impairment loss on delay of plant start-up	(177,750)	0	0	0	0
Insurance & contractor's compensations	177,750	0	0	0	0
Financial charges	(36,900)	0	0	0	0
Net other income (expenses)	12,784	21,027	(30,920)	12,331	10,932
Profit (Loss) before Zakat	81,332	(46,752)	(92,783)	(47,069)	3,910
Zakat	(7,532)	(810)	(5,003)	(14,416)	(3,560)
Profit (Loss) Before Minority Interest	73,800	(47,562)	(97,786)	(61,485)	350
Minority Interest*	(31,618)	20,284	32,684	22,039	0
Net Profit (Loss)	42,182	(27,278)	(65,102)	(39,446)	350

* *Prior years' figures were reclassified to conform to the current year's presentation.*

** *Minority interest represents 42.6% share of other shareholders in NATPET.*

Five-Years Net Profit / (Loss) Chart
(Stand-alone data for 2006)
(Amounts in SR '000)

B. Comparative Operating Results (2 years):

A major swing in bottom line figures between the years 2009 and 2010 took place due to the commencement of the subsidiary's commercial operations. The Company made a net income of SR42.2 million during 2010 compared to a net loss of SR 27.3 million during 2009.

The net profit before Zakat in 2010 is SR81.3 million as compared to the 2009 pre-Zakat loss of SR46.8 million.

Two years comparative operating results
(Consolidated figures)

	Year ended on December 31		
	2010 (SR '000)	2009 (SR '000)	Net Changes (SR '000)
Sales	852,133	0	852,133
Cost of sales	(673,116)	0	(673,116)
Gross profit	179,017	0	179,017
Operating expenses	(73,569)	(67,779)	(5,790)
Net operating income (loss)	105,448	(67,779)	173,227
Impairment loss on delay of plant start-up	(177,750)	0	(177,750)
Insurance & contractor's compensations	177,750	0	177,750
Financial charges	(36,900)	0	(36,900)
Net other income	12,784	21,027	(8,243)
Profit (Loss) before Zakat	81,332	(46,752)	128,084
Zakat	(7,532)	(810)	(6,722)
Profit (Loss) Before Minority Interest	73,800	(47,562)	121,362
Minority Interest*	(31,618)	20,284	(51,902)
Net Profit (Loss)	42,182	(27,278)	69,460

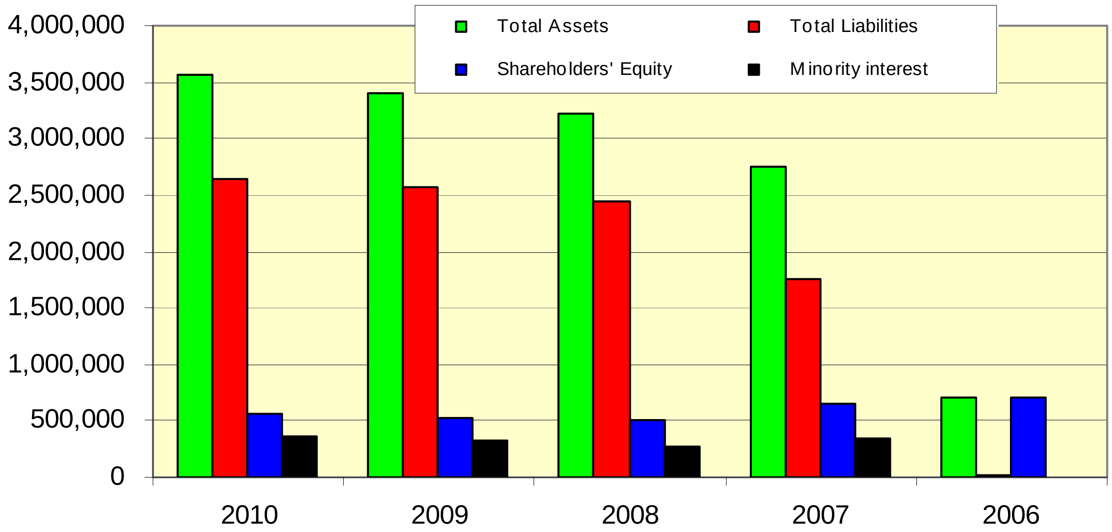
** Minority interest represents 42.6% share of other shareholders in NATPET.*

C. Summary of Financial Position
(*2006 reflects stand-alone figures****)***

	As at December 31				
	2010 (SR '000)	**2009 (SR '000)**	**2008 (SR '000)**	**2007 (SR '000)**	**2006 (SR '000)**
ASSETS					
Current assets	733,980	340,328	340,798	310,095	64,728
Non-current assets	2,825,451	3,065,344	2,887,918	2,436,889	648,697
Total Assets	3,559,431	3,405,672	3,228,716	2,746,984	713,425
Current liabilities	516,941	545,109	282,659	139,821	8,874
Non-current liabilities	2,122,641	2,020,007	2,158,011	1,609,355	2,057
Total Liabilities	2,639,582	2,565,116	2,440,670	1,749,176	10,931
Shareholders' Equity	554,164	518,551	515,423	650,510	702,494
Minority interest *	365,685	322,005	272,623	347,298	0
Total Liabilities & Shareholders' Equity	3,559,431	3,405,672	3,228,716	2,746,984	713,425

**Minority interest represents 42.6% share of other shareholders in NATPET.*

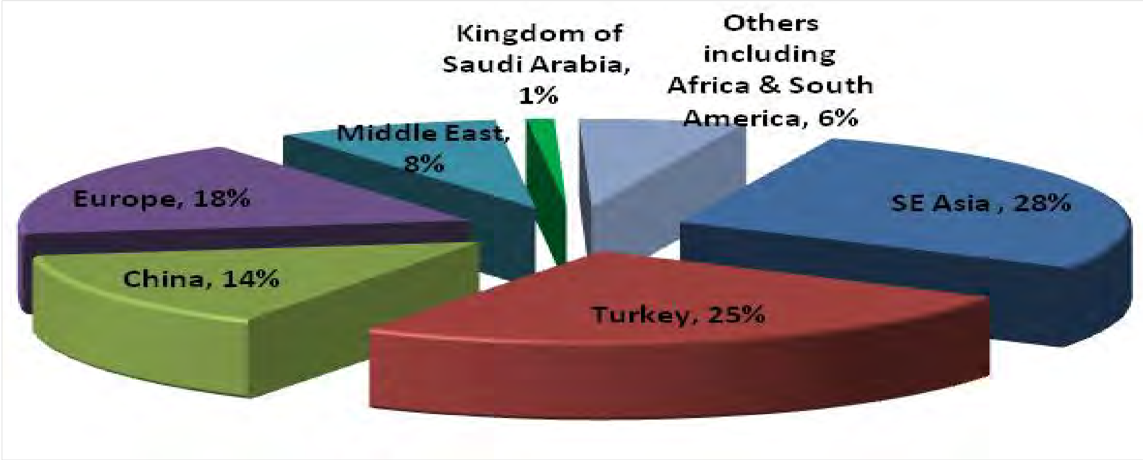
Five-Year Balance Sheet Chart
(Stand-alone data for 2006)
(Amounts in SR '000)



D. Geographical Analysis of Consolidated Revenue:

Essentially, the company's revenue comes from its subsidiary selling its products in and out of Saudi Arabia, as explained in following table and chart:

SE Asia	28%
Turkey	25%
China	14%
Europe	18%
Middle East	08%
Kingdom of Saudi Arabia	01%
Others including Africa & South America	06%
Total:	100%



II. MAJOR EVENTS IN 2010

(a) NATPET started commercial operations of its Propylene & Polypropylene Complex in August 2010.

(b) A total of SR177.8 million of cost overruns incurred due to delay in plant start-up was recovered fully by the subsidiary from its insurers and the main contractor.

(c) In continuation of its drive to fully acquire Mobeed, Alujain bought from its partners an additional 4.33% of Mobeed equity during 2010. Once all legal formalities regarding transfer of purchased shares are completed, a 98.75% co-ownership will be achieved by Alujain along with a related party.

(d) Alujain initiated a process to acquire Natpet shares from other (minority) shareholders owning 42.6% of Natpet through a share swap and had engaged Deutsche Securities Saudi Arabia ("Deutsche Bank") as its exclusive financial adviser to assist it in obtaining necessary regulatory approvals together with the registration of shares in the name of the new shareholders of Alujain. Alujain also had engaged "KPMG - Al Fozan & Al Sadhan" as independent accountants and "Legal Advisors/Baker & McKenzie" as legal consultants to complete their respective due diligence. Alujain submitted the required draft Application to the Capital Market Authority (CMA) for their review and recommendations. However, subsequently Alujain management decided, in coordination with CMA, to withdraw its application as a result of certain technical issues and observations made by CMA.

(e) Sheikh Abdulla Ali Kanoo, Director, passed away on 10th October 2010. A replacement director will be appointed by the Board and the matter will be presented for ratification at the forthcoming Shareholders' meeting.

III. ZAKAT AND OTHER AMOUNTS PAID TO THE GOVERNMENT

On a standalone basis, Alujain has made total provisions of SR 0.8 million for 2010 estimated Zakat expenses.

The Company has filed final Zakat returns for 2003 through 2009 and obtained restricted Zakat certificates from the DZIT.

Following is a summary of amounts paid by Alujain to the Government:

	2010 (SR '000)	**2009 (SR '000)**
Zakat	810	1,568
General Organization for Social Insurance	123	116
Capital Markets Authority	432	489
Registration, visas and other expenses	26	16
Total amounts paid to the Government	1,391	2,189

IV. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (NATPET):

NATPET is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and PP Complex in Yanbu Industrial City. The authorized and paid up capital comprised of 107 million shares of SR10 per share as at 31 December 2010.

Alujain currently holds 57.4% of the total equity of NATPET.

NATPET signed loan agreements with local banks, PIF and SIDF in order to finance the construction of its project. The loan balance as at 31 December is comprised of the following:

	2010 (SR '000)	**2009 (SR '000)**
Commercial Banks' Syndication	1,011,544	1,176,070
Public Investment Fund loan	750,000	468,750
SIDF Loan	385,000	400,000
Others	21,645	21,645
Total loans	**2,168,189**	**2,066,465**
Less: Current portion	(188,968)	(175,588)
Long-term portion of the loans	**1,979,221**	**1,890,877**

The SIDF loan is secured by a mortgage over the fixed assets of the project and corporate guarantees from its shareholders wherein Alujain's guarantee is 57.4%. The Commercial Banks' syndication loan is secured by a second charge on the Subsidiary's assets. During 2010, NATPET paid SR179 million against its loans.

SAFETY RECORD:

The subsidiary has an excellent record for Health Safety and Environment. It had completed over 17.0 mill man-hours without Lost Time Incident (LTI) recorded until 18 February 2010, when one incident took place and thereafter it had 1.19 mill safe man-hours recorded since last LTI.

V. ASSOCIATE COMPANY

Arab Pesticide Industries Company (MOBEED):

Mobeed is a limited liability company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City. It is engaged in the formulation, filling, packing, marketing and distribution of a wide range of Agrochemical, Public and Animal Health Pesticides and Aerosol Products. Mobeed factory is built to the highest technical and environmental standards.

In continuation of its drive to fully acquire Mobeed, Alujain bought an additional 4.33% of Mobeed equity during 2010. Alujain continues to pursue remaining Mobeed Shareholders for the acquisition of their shares. Once the deals are finalized, legal formalities in respect of the amended Articles of Association and Commercial Registration will be initiated with the concerned authorities.

VI. BOARD OF DIRECTORS

A. Constitution of the Board of Directors:

The Board of Directors currently consists of nine directors as follows:

Names	Executive	Non-executive	Independent
Khalid A.Y. Zainal Alireza	✓		
Abdulla Ali Kanoo *		✓	✓
Abdallah Sadiq Dahlan		✓	✓
Omar Hashim Khalifati		✓	✓
Adnan Kamel Salah		✓	✓
Mohammad Ali Al-Naki		✓	✓
Khalid Abdul-Razzaq Al-Nafisee		✓	✓
Matouq Hassan Jannah		✓	✓
Khalid Ibrahim A. Zagzoog	✓		

* Passed away on 10th October 2010. The Board of Directors takes this opportunity to record its thanks and appreciation to the long services rendered by Sheikh Abdulla Ali Kanoo. He was a founding board member and always steadfast in supporting Alujain in realizing its goals. Alujain will miss his valuable contribution in the time ahead.

B. Meetings:

During the Year 2010 the Board of Directors held 2 meetings as follows:

No. & Meeting Date	Directors in Attendance	
	In Person	*By Proxy*
#70) 25-04-2010	Khalid A.Y. Zainal Alireza Khalid Ibrahim A. Zagzoog Omar Hashim Khalifati Adnan Kamel Salah Mohammad Ali Al-Naki	Abdallah Sadiq Dahlan
# 71) 16-10-2010	Khalid A.Y. Zainal Alireza Omar Hashim Khalifati Adnan Kamel Salah Khalid Ibrahim A. Zagzoog Matouq Hassan Jannah Mohammed Ali Al-Naki	Abdallah Sadiq Dahlan

C. Directorships in other Joint Stock Companies (only listed and traded):

Director	Company
Khalid A.Y. Zainal Alireza	Saudi Cable Company
Abdulla Ali Kanoo	–
Abdallah Sadiq Dahlan	–
Omar Hashim Khalifati	–
Adnan Kamel Salah	–
Mohammad Ali Al-Naki	–
Khalid Abdul-Razzaq Al-Nafisee	–
Matouq Hassan Jannah	–
Khalid Ibrahim A. Zagzoog	–

D. Board Committees:

Audit Committee:

i) Mandate:

The main objectives of the committee include ensuring the adequacy and soundness of the internal control structure, financial accounting and reporting policies and procedures as well as ensuring effectiveness of the external audit function. It also reviews the Company's financial statements.

ii) Audit Committee Members:

Members	Non-executive	Shareholder	Position
Omar Hashim Khalifati	✓	✓	Chairman
Abdallah Sadiq Dahlan	✓	✓	Member
Ali Abdullah Kanoo	✓	✓	Member
Asad Hameed	✓	✓	Member

iii) Meetings:

The committee held two meetings during 2010 as follows:

No. & Meeting Date	Name
# 38) 11-04-2010	Omar Hashim Khalifati, Abdallah Sadiq Dahlan, Ali Abdullah Kanoo and Asad Hameed
# 39) 16-10-2010	Omar Hashim Khalifati and Asad Hameed

E. Movement in Shares Owned By Directors and Their Immediate Family Members

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Khalid A.Y. Zainal Alireza	419,035	0.606%	--	--	419,035	0.606%
Abdulla Ali Kanoo	11,000	0.016%	--	--	11,000	0.016%
Abdallah Sadiq Dahlan	1,000	0.001%	--	--	1,000	0.001%
Omar Hashim Khalifati	22,060	0.032%	--	--	22,060	0.032%
Adnan Kamel Salah	2,000	0.003%	--	--	2,000	0.003%
Mohammad Ali Al-Naki	1,000	0.001%	--	--	1,000	0.001%
Khalid Abdul-Razzaq Al-Nafisee	1,000	0.001%	--	--	1,000	0.001%
Matouq Hassan Jannah	1,200	0.002%	--	--	1,200	0.002%
Khalid Ibrahim A. Zagzoog	2,500	0.004%	--	--	2,500	0.004%

VII. REMUNERATION OF CHAIRMAN, BOARD OF DIRECTORS, AND TOP EXECUTIVES

	Board Members		Highest paid Senior executives including COO & CFO*
	Executive (1 person)	Non-executive/ Independent (8 persons)	
Salaries and compensation	300,000	-	1,035,840
Allowances	6,000	27,000	363,000
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Other Compensations	-	-	460,910
Total	306,000	27,000	1,859,750

* Remuneration for 3 executives including COO and CFO. Alujain has less than 5 executives.

REMUNERATION OF AUDIT COMMITTEE

Position	Meeting Fees
Chairman	6,000
Members	8,000
Total	14,000

VIII. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's general and administrative expenses, shared services including project-related costs are charged by affiliates by way of sharing the cost of some common services. Prices and terms of payment are approved by management. Related party transactions are detailed in Note #5 of the accompanying audited financial statements.

IX. PROFIT DISTRIBUTION POLICY

The annual net profits achieved – after deducting all general expenses & other costs – shall be distributed as follows:

10% of the net profits shall be set aside to form a statutory reserve, and the ordinary general assembly may stop such a procedure when the said reserve amounts to half of the Company capital.

From the balance, a first payment not less than 5% of the paid capital, shall be distributed as dividends to the shareholders.

A percent of not more than 10% of the net profits shall be allocated, after that, as a remuneration for the members of the board of directors, provided, however, that the member remuneration shall not exceed the amount determined by the instructions issued by the Ministry of Commerce to this effect.

Then, the balance shall be distributed among the shareholders as an additional share of the profits, or it may be carried forward to the following years, in the way agreed upon by the general assembly.

The dividends to be distributed among shareholders shall be paid in the place and at the time determined by the board of directors, taking into consideration the instructions issued by the Ministry of Commerce in this regards.

X. POTENTIAL BUSINESS RISKS

The Company and its subsidiary are subject to the risk of global economic downturn which will likely impact demand for petrochemical products, declining availability of credit facilities and the risk of changes in the rate of financial charges on its financial assets and liabilities, including bank deposits, bank facilities and term loans.

Alujain's major investment is NATPET and therefore, any risks faced by NATPET will impact Alujain's financial results.

XI. CORPORATE GOVERNANCE

The Company is committed to apply all rules listed in Corporate Governance Regulations. Following is the implementation status:

Corporate Governance Rules	Status
Article 3: General Rights of Shareholders	Implemented
Article 4: Facilitation of Shareholders Exercise of Rights and Access to Information	Implemented
Article 5: Shareholders Rights related to the General Assembly	Implemented Except Para "f" covering shareholders participation in preparing OGA Agenda
Article 6: Voting Rights	Implemented Except for the following
Article 6 - b) In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied.	Not applied yet. It requires amendment to the Articles of Association through an Extraordinary Shareholders meeting. However, the current Board term expires on 31/12/2011.
Article 6 - d) Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	We have not had a chance to get those reports.
Article 7: Dividends Rights of Shareholders	Implemented. No dividends are proposed for the year. Whenever dividends are determined the rules as well as the Companies' Law and Articles of Association apply.
Article 8: Policies and Procedure related to Disclosure	Guidelines have been developed and shall be presented at the Shareholders Meeting for approval.
Article 9: Disclosure in the Board of Directors' Report	Implemented
Article 10: Main Functions of the Board of Directors	Implemented Except for the following Sub-Items:
Article 10 - b.1) Developing a written policy that would regulate conflict of interest and remedy any possible cases of conflict by members of the Board of Directors, executive management and shareholders. This includes misuse of the company's assets and facilities and the arbitrary disposition resulting from dealings with the related parties.	Developed a comprehensive Corporate Governance Manual for the company, taking into consideration the Companies' Law and the By-Laws of the Company, which shall be presented at the Shareholders' Meeting for approval.
Article 10 - c) Drafting a Corporate Governance Code.	Implemented. See article (10-b1) above.
Article 10 - d) Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly.	It is included in the above Corporate Governance Manual.
Article 10 - e) Written policy to regulate the relationship with stakeholder with a view to protecting their rights… etc.	It is included in the above Corporate Governance Manual.
Article 11: Responsibilities of the Board	Implemented
Article 12: Formation of the Board	Implemented
Article 13: Committees of the Board	Implemented
Article 14: Audit Committee	Implemented
Article 15: Nomination and Remuneration Committee	Implemented
Article 16: Meetings of the Board	Implemented
Article 17: Remuneration and Indemnification of Board Members	Implemented
Article 18: Conflict of Interest within the Board	Implemented

XII. BOARD DECLARATIONS

1. The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on consistent basis.
2. The Company maintains proper books of accounts.
3. The external auditor has given an unqualified opinion on the financial statements.
4. During the 3rd quarter 2010 the subsidiary company started its commercial operations.
5. The Company's Internal Control has been developed on sound basis and is effectively being carried out. The Company has an adequate internal audit committee and internal audit function which ensure that satisfactory internal controls are in place.
6. There were no penalties or preventive restrictions imposed on the Company during 2010, except for SR 100,000 under CMA's resolution No. 9-6-2009 dated 17/01/2010 for not doing timely announcement of NATPET's capital increase.
7. There is absolutely no trace of doubt that the Company is a going concern.
8. The Company has not issued nor redeemed any debt or financial instruments such as stock options or stock rights that may be converted into shares.
9. There was no material contracts awarded to any related parties during the year. Related party transactions are detailed in Note # 5 of the accompanying audited financial statements.
10. There were no outstanding loans during the year, except the loans taken by the subsidiary, as mentioned in section IV of this report.
11. There were no loans given to any of its directors.
12. The Company has not made any deals relating to its own stocks.
13. No waiver of compensation has been received from any member of the Board.
14. There were no share dealings entered by the Company with any of its directors or immediate members of their families.
15. No waiver of rights has been received from any shareholder.
16. The Company has not made any investments or created reserves for its employees, except for, as is required by Saudi Labor Law and company policies.

XIII. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Board of Directors' Report for 2010.
2. Approval of the 2010 year-end financial statements and external auditors' report.
3. Approval of the appointment of external auditors for year 2011 from amongst the firms nominated by the Audit Committee.
4. Absolving the Board of Directors of their responsibilities for the financial year ended 31/12/2010.
5. Approval of the businesses and agreements made between the company and related parties contained in the notes of the Financial Statements for 2010.

6. Approval of the appointment of Mr. Ali Abdulla Kanoo, son of late Abdulla Ali Kanoo, to succeed his late father as a member of the Board of Directors, for the remaining part of the current term of the Board of Directors, which expires on 31/12/2011.
7. Approval of the creation of Governance, Nomination & Remuneration and Social Responsibility Committee.
8. Approval of the Company's Corporate Governance Manual.
9. Election of the Board of Directors for the next 3-year term starting 01.01.2012.

The Board of Directors wishes to express its appreciation and gratitude to the Custodian of the two Holy Mosques, King Abdullah Bin Abdul Aziz Al Saud, HRH Crown Prince Sultan Bin Abdul Aziz Al Saud, Deputy Premier & Minister of Defense & Aviation and Inspector General, and the Government, for their continued support.

The Board would also like to thank the shareholders for their support and the management and staff of Alujain for their efforts which helped to make 2010 a successful year.

BOARD OF DIRECTORS

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
AND INDEPENDENT AUDITORS' REPORT

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

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

Scope of audit

We have audited the accompanying consolidated balance sheet of **Alujain Corporation** (a Saudi Joint Stock Company) (the "Company") and its subsidiary (collectively "The Group") as of December 31, 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2009 were audited by another auditor whose report dated 14 February 2010 expressed an unqualified opinion on those financial statements.

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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By:
Ibrahim R. Habib
Licence Number 383

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

February 16, 2011

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

	Note	As at December 31, 2010	2009
ASSETS			
Current assets			
Cash and cash equivalents		**311,944**	52,156
Short-term investments in Murabaha Funds		**7,523**	-
Security deposit		**35,559**	45,824
Accounts receivable		**116,326**	58,540
Prepayments and other assets	4	**14,929**	5,084
Advances to suppliers		**27,786**	10,096
Due from related parties	5	**5,172**	947
Inventories, net	6	**214,741**	167,681
		733,980	340,328
Non-current assets			
Security deposit	19	**31,277**	30,118
Investments, net	7	**13,485**	12,828
Projects under study, net	8	**5,479**	3,047
Work in progress	9	**-**	2,944,832
Pre-operating expenses, net	10	**41,127**	43,730
Deferred financial charges, net	11	**17,005**	20,151
Property, plant and equipment, net	12	**2,717,078**	10,638
		2,825,451	3,065,344
Total assets		**3,559,431**	3,405,672
Liabilities and shareholders' equity			
Current liabilities			
Current portion of long-term loans	11	**188,968**	175,588
Accounts payable		**117,912**	88,031
Accruals and other liabilities	13	**193,057**	262,579
Due to related parties	5	**2,488**	10,639
Zakat provision	14	**14,516**	8,272
		516,941	545,109
Non-current liabilities			
Long-term loans	11	**1,979,221**	1,890,877
Change in fair value of derivatives		**132,796**	120,595
Employees' termination benefits		**10,624**	8,535
		2,122,641	2,020,007
Total liabilities		**2,639,582**	2,565,116
Shareholders' equity			
Share capital (69,200,000 shares of SR 10 per share)		**692,000**	692,000
Statutory reserve	15	**17,316**	17,316
Cumulative changes in fair values	16	**(62,993)**	(56,424)
Accumulated losses		**(92,159)**	(134,341)
Total shareholders' equity of the parent company		**554,164**	518,551
Minority interest		**365,685**	322,005
Total shareholders' equity		**919,849**	840,556
Total liabilities and shareholders' equity		**3,559,431**	3,405,672

The attached notes on pages 8 to 24 form an integral part of these consolidated financial statements.

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

	Note	Year ended December 31, 2010	2009
Sales		**852,133**	-
Cost of sales		**(673,116)**	-
Gross profits		**179,017**	-
Operating expenses			
General and administrative	18	**(73,569)**	(67,779)
Income (loss) from operations		**105,448**	(67,779)
Other income (expenses)			
Impairment loss on delay of plant start-up	9	**(177,750)**	-
Insurance compensations	9	**46,500**	-
Contractor's compensation	9	**131,250**	-
Realized gain on investments		**-**	9,517
Write back of provision for investments		**-**	2,875
Financial charges		**(36,900)**	-
Capital gain on sale of shares	17	**11,301**	-
Change in fair value of derivatives		**(758)**	7,577
Amortization of pre-operating expenses	10	**(2,603)**	-
Amortization of deferred financial charges	11	**(1,267)**	-
Other income		**6,742**	1,058
Provision for investments		**(631)**	-
Income (loss) before zakat and minority interest		**81,332**	(46,752)
Zakat	14	**(7,532)**	(810)
Net income (loss) before minority interest		**73,800**	(47,562)
Minority interest		**(31,618)**	20,284
Net income (loss) for the year		**42,182**	(27,278)
Income (loss) per common share on income (loss) from operations	20	**1.52**	(0.98)
Net income (loss) per common share on net income (loss) before minority interest	20	**1.07**	(0.69)
Net income (loss) per common share on net income (loss) for the year	20	**0.61**	(0.39)

The attached notes on pages 8 to 24 form an integral part of these consolidated financial statements.

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

	Year ended December 31,	
	2010	2009
Cash flow from operating activities		
Net income (loss) for the year	**42,182**	(27,278)
Adjustments for non-cash items		
Depreciation	**60,563**	3,779
Provision for investments	**631**	-
Write back of provision for investments	-	(2,875)
Amortization of deferred financial charges	**1,267**	-
Zakat	**7,532**	810
Loss on sale of property and equipment	-	12
Capital gain on sale of shares of the subsidiary	**(11,301)**	-
Amortization of pre-operating expenses	**2,603**	-
Changes in fair value of derivatives	**758**	(7,577)
Realized gain on investments	-	(9,517)
Income from investments in Murabaha Funds	**(67)**	(380)
Minority interest	**31,618**	(20,284)
Employees' termination benefits, net	**2,089**	3,022
Changes in working capital:		
Accounts receivable	**(57,786)**	(58,540)
Prepayments and other assets	**(9,845)**	3,362
Advances to suppliers	**(17,690)**	13,690
Due from related parties	**(3,449)**	1,372
Inventories	**(47,060)**	(57,603)
Accounts payable	**34,755**	55,931
Accruals and other liabilities	**(69,522)**	154,758
Due to related parties	**(8,927)**	5,000
Zakat paid	**(1,288)**	(1,568)
Net cash (utilized in) generated from operating activities	**(42,937)**	56,114
Cash flow from investing activities		
Movement of short-term investments in Murabaha Funds	**(7,456)**	37,364
Security deposit	**9,106**	(9,920)
Projects under study	**(2,432)**	(1,632)
Work in progress, net	**185,478**	(183,506)
Capital gain on sale of shares	**11,301**	-
Purchase of property and equipment	**(5,770)**	(4,635)
Proceed from sale of property and equipment	-	15
Proceeds from disposal of investments in an associate	-	32,341
Additional investment in an associate	**(1,288)**	(237)
Net cash generated from (utilized in) investing activities	**188,939**	(130,210)

The attached notes on pages 8 to 24 form an integral part of these consolidated financial statements.

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

	Year ended December 31,	
	2010	2009
Cash flow from financing activities		
Long-term loans	**88,344**	(16,774)
Current portion of long-term loans	**13,380**	(40,000)
Minority interest	**12,062**	69,666
Net cash generated from financing activities	**113,786**	12,892
Net change in cash and cash equivalents	**259,788**	(61,204)
Cash and cash equivalents - beginning of the year	**52,156**	113,360
Cash and cash equivalents - end of the year	**311,944**	52,156

Supplementary information for non-cash transactions

Impairment loss on delay of plant start-up recovered from insurance and project main contractor	**177,750**	-
Amortization of deferred financial charges transferred to work-in-progress	**1,879**	3,146
Work-in-progress transferred to property, plant and equipment	**2,761,233**	-

The attached notes on pages 8 to 24 form an integral part of these consolidated financial statements.

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

	Share Capital	Statutory reserve	Cumulative changes in fair values	Accumulated losses	Total shareholders' equity of the parent company	Minority interest	Total equity
January 1, 2010	692,000	17,316	(56,424)	(134,341)	518,551	322,005	840,556
Net income for the year	-	-	-	42,182	42,182	-	42,182
Net movement	-	-	-	-	-	43,680	43,680
Fair value adjustments	-	-	(6,569)	-	(6,569)	-	(6,569)
December 31, 2010	**692,000**	**17,316**	**(62,993)**	**(92,159)**	**554,164**	**365,685**	**919,849**
January 1, 2009	692,000	17,316	(86,830)	(107,063)	515,423	272,623	788,046
Net loss for the year	-	-	-	(27,278)	(27,278)	-	(27,278)
Net movement	-	-	-	-	-	49,382	49,382
Fair value adjustments	-	-	30,406	-	30,406	-	30,406
December 31, 2009	692,000	17,316	(56,424)	(134,341)	518,551	322,005	840,556

The attached notes on pages 8 to 24 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Alujain Corporation 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 Corporation obtained its Commercial Registration on Rajab 3, 1412H (corresponding to January 7, 1992).

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

The Corporation has a 57.4% share in National Petrochemical Industrial Company (NATPET), the subsidiary Company. In 2004, management of the subsidiary Company decided to form a joint venture company - Teldene, to operate the subsidiary Company's project. This decision was revised by the subsidiary's Board of Directors which resolved in its meeting on September 19 2007 that the project will now be operated by the subsidiary Company, NATPET. Previously the net expenses of the project were to be recovered by NATPET from the proposed joint venture project company. Following the Board of Directors' above decision, these expenses were charged to the statement of income or reclassified to pre-operating expenses and work in progress during 2007. The current status of the project is detailed in note 10.

The subsidiary company's polypropylene (PP) complex in Yanbu Industrial City has commenced commercial production on August 6, 2010, which is the date the subsidiary company started to recognize the sales and the related cost of sales in the income statements.

The accompanying financial statements include the accounts of the company and its subsidiary, National Petrochemical Industrial Company (NATPET). The Company's effective ownership in NATPET as of December 31, 2010 is 57.4%. During December 2009, NATPET decided to increase its capital from SR 917 million to SR 1,070 million through conversion of shareholders' loans into equity and a rights issue. As Alujain held a substantial portion of shareholders' loans in NATPET, a full subscription to the rights issue resulted in Alujain owning more than 57.4% of NATPET. Alujain decided to maintain its 57.4% ownership due to a variety of commercial and banking reasons and subsequently disposed off the extra shares it acquired during the process, realizing Capital gains as explained in note 17.

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, unless otherwise stated.

2.1 Basis of preparation

The accompanying 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.1 Basis of consolidation

The consolidated financial statements comprise the accounts of Alujain Corporation (the parent company) and its subsidiary (National Petrochemical Industrial Company),collectively "the Group". All material intercompany transactions and balances are eliminated on consolidation.

The subsidiary is consolidated from the date the parent company obtains control until such time control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the minority interest caption in these consolidated financial statements.

2.2 Revenue recognition

Revenue from sales of goods is recognized upon delivery or shipment of products to customers, and invoices are issued.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

2.4 Investments

(a) 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 consolidated income statement.

(b) Associates

Associates are entities over which the Company has significant influence but no 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments (continued)

(c) 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 balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the 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 Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "General and administrative expenses". When 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 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 three months or less from the purchase date, if any.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated income statement, using straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Furniture and fixtures	5 – 10
• Office equipment	4 – 10
• Motor vehicles	4
• Computers	3 – 4
• Plant and equipment	10 – 20
• Leasehold improvements	3 – 10

Gains and losses on disposals are determined by comparing proceeds with carrying amounts 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.

2.9 Inventories

Inventories are carried 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.

2.10 Deferred financial charges

Deferred financial charges represent project evaluation fees related to long-term borrowings, and are amortized over the term of the loan on a straight line basis. Amortization charges are capitalized and charged to work in progress during the construction period.

After commencement of commercial production, the amount is being charged to the consolidated income statement.

2.11 Pre-operating expenses

Pre-operating expenses are charged to the consolidated income statement unless their future benefits have been determined in which case they will be amortized using the straight line basis over 7 years or their estimated period of benefit, whichever is shorter, from the commencement of operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.13 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.

2.14 Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs 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 income statement.

2.15 Accounts payable and accruals

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

2.16 Provisions

Provisions are recognized, when the Company 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.

2.17 Zakat

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee termination benefits

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

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Company 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 years for which they were designated.

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 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.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk, interest rate risk, liquidity risk and fair value and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term investments in Murabaha Funds, due from related parties, security deposit, short-term and long-term borrowings, due to related parties, Zakat, 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 reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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 is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group does not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and to a lesser extent the Euro. As the Saudi Riyals is pegged to US Dollars, the balances in US Dollars are not considered to represent significant currency risk.

The Group's management monitors such exposures and believes that those exposures are not significant.

3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities including security & bank deposits and long term loans.

The management limits the Group's interest rate risk by monitoring the changes in interest rate in the currencies in which its interest bearing assets and liabilities are denominated and through interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts is calculated by reference to an agreed-upon notional principal amount.

(All amounts in Thousands Saudi Riyals unless otherwise stated)

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

3.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The 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.

3.4 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 through committed credit facilities to meet any future commitments.

3.5 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's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4 PREPAYMENTS AND OTHER ASSETS

	2010	2009
Prepayments	**6,844**	2,394
Employees advance	**1,383**	164
Other receivables	**6,702**	2,526
	14,929	5,084

(All amounts in Thousands Saudi Riyals unless otherwise stated)

5 RELATED PARTY TRANSACTIONS

A portion of the Company's general and administrative expenses and project - related costs are charged by affiliates. Prices and terms of payment are approved by management.

The following are the details of major related party transactions for the years ended December 31:

Related parties	Nature of transactions	2010	2009
Board of Directors	Remunerations	**742**	768
Hidada Company Limited	Joint expenses charged by the Group	**154**	195
Saudi Cable Company	Joint expenses charged by the Group	**103**	13
Saudi Cable Company	Joint expenses charged to the Group	**144**	144
Xenel Industries Company Limited	Joint expenses charged to the Group	**13,828**	5,305
Safra Company Limited	Joint expenses charged to the Group	**-**	3,878
Safra Company Limited	Joint expenses charged by the Group	**489**	491
Safra Company Limited	Investment sold by the Group	**27,444**	8,290
Xeca International for Information Technology	Joint expenses charged to the Group	**1,458**	1,016
Chemglobal Limited	Joint expenses charged to the Group	**135**	541
Arab Pesticide Industries Company	Advance provided by the Group	**3,315**	-

Related party balances as at December 31 are comprised of the following:

	2010	2009
Due from related parties		
Arab Pesticide Industries Company (MOBEED) (affiliate)	**4,023**	708
Safra Company Limited (shareholder)	**755**	-
Hidada Company Limited (affiliate)	**394**	239
	5,172	947
Due to related parties		
Chemglobal Corporation (affiliate)	**1,364**	2,729
Saudi Cable Company (affiliate)	**796**	756
Safra Company Limited (affiliate)	**-**	6,479
Xenel Industries Company Limited (affiliate)	**256**	309
Xeca International for Information Technology	**72**	366
	2,488	10,639

6 INVENTORIES, NET

	2010	2009
Finished goods	**63,507**	13,720
Raw material	**35,099**	47,299
Spare parts	**119,775**	109,935
	218,381	170,954
Less: provision for slow moving inventories	**(3,640)**	(3,273)
	214,741	167,681

(All amounts in Thousands Saudi Riyals unless otherwise stated)

7 INVESTMENTS, NET

	2010	2009
Investment in an associate - see (a) below	**9,816**	8,528
Available for sale investments see (b) below	**3,669**	4,300
	13,485	12,828

(a) Investment in an associate as at December 31 is comprised of the following:

	2010	2009
Cost of investment	**36,059**	34,771
Provision	**(26,243)**	(26,243)
	9,816	8,528

The movement in the investment in an associate for the years ended December 31 is as follows:

	2010	2009
Beginning balance	**8,528**	16,580
Additions during the year	**1,288**	238
Disposed during the year	**-**	(8,290)
Ending balance	**9,816**	8,528

Included in investments is an amount of SR 9.8 million representing an investment in Arab Pesticides Industries Company Limited (MOBEED), an associated company. During December 2008, the Company entered into a number of agreements with partners in MOBEED for the purchase of additional shares, thus increasing Alujain's ownership of MOBEED from 25% to 93.08% as of December 31, 2008. During the year ended December 31, 2009, the Company has sold 50% of its share to a related party. Thereafter, Alujain purchased additional shares, increasing its ownership in Mobeed to 52.21% as of December 31, 2010. The legal formalities in respect of the Ministerial approval, the amended Articles of Association and Commercial Registration have not been finalized yet.

The associate company is undergoing major restructuring procedures during 2010 to activate its Commercial operations. Accordingly, management decided to account for its investment at fair value until the final ownership is legalized.

(b) The movement in the available for sale investments for the years ended December 31 is as follows:

	2010	2009
Beginning balance	**4,300**	1,425
Provision	**(631)**	-
Write back of provision during the year	**-**	2,875
Ending balance	**3,669**	4,300

(All amounts in Thousands Saudi Riyals unless otherwise stated)

8 PROJECTS UNDER STUDY, NET

The movement of the projects under study for the years ended December 31 is as follows:

	2010	2009
Beginning balance	**3,047**	1,415
Additions during the year	**2,432**	1,632
Ending balance	**5,479**	3,047

9 WORK IN PROGRESS

Work in progress represents Teldene Polypropylene and AlFasel Propylene Projects which were combined as one integrated complex for strategic, economic and financial consideration.

During the year ended December 31, 2006, the Company added to its work in progress an amount of SR 360 million which represents Alujain Corporation's total spending on Alfasel propylene project, which was transferred from Alujain Corporation to the Company.

On March 3, 2004, the Company and Tecnimont - an Italian Company, signed the Engineering, Procurement and Construction (EPC) Contract. The Company asked to convert this EPC contract to Lump Sum Turn Key Contract which was signed on February 7, 2005 where the capacity of polypropylene production was increased to 400 thousand tons yearly. Also, during 2005, the Company and Lurgi - a German Company, signed a lump sum Turn Key contract.

The land and utilities agreements of the Royal Commission in Yanbu, Saudi Arabia, have been signed on a conditional basis.

Lurgi Company of Germany and Technimont Company of Italy (the contractors) started the engineering, procurement and construction activities according to the early work agreement. NATPET reached a 10 years marketing agreement with Noble Americas under which Noble will market about 50% of the polypropylene production capacity of 400,000 tons per year. NATPET will have the option of increasing the quantity up to 100% of capacity. This off-take will be sold in South East Asia, Indian subcontinent and China which are all promising markets. Noble has invested up to US$ 5 million in the project.

In addition, NATPET and SABIC Industrial Investments Company signed an agreement for marketing 50% of polypropylene production.

The assets of the project (which were transferred to property, plant and equipment during the year) are mortgaged to the Saudi Industrial Development Fund (SIDF) as security against the term loan received from the fund.

As mentioned in note 1, the commercial production of the subsidiary commenced on August 6, 2010, accordingly the balance of Work in Progress as of that date was transferred to Property, Plant and Equipment.

(All amounts in Thousands Saudi Riyals unless otherwise stated)

9 WORK IN PROGRESS (continued)

The following is the movement of the Work In Progress during the year ended December 31, 2010:

	2010	2009
Beginning balance	**2,944,832**	2,758,181
Additions	**128,796**	69,420
Deferred financial charges capitalized	**1,879**	3,146
	3,075,507	2,830,747
(Less) Add:		
Performance testing production sold net of related cost	**(136,524)**	114,085
Impairment loss on delay of plant start-up (*)	**(177,750)**	-
Transfer to property, plant and equipment	**(2,761,233)**	-
Ending balance	**-**	2,944,832

(*) During the construction phase of the plant, several instances occurred which caused delay in the plant start-up and commencement of scheduled commercial production. As a direct consequence of these delays, additional costs were incurred and charged to work-in-progress amounting to SR 177.7 million, based on which the subsidiary Company booked impairment loss in its income statement for the year.

The above mentioned additional costs were covered under insurance policy and certain penalty clauses in the contract with the project main contractor and based on which, the subsidiary Company received compensations under the insurance policy amounting to SR 46.5 million and compensation from the contractor amounting to SR 131.250 million which were booked in the income statement for the year as contractor's compensation (SR 46.125 million in cash and the remaining amount through reversal of liabilities).

10 PRE-OPERATING EXPENSES, NET

Pre-operating expenses represents the amount reclassified by the subsidiary Company from net cost of project under progress and relates to project development expenditure incurred. These costs have been capitalized as pre-operating expenses following the NATPET Board of directors decision on September 19, 2007 to retain the Teldene Polypropylene project in NATPET, as management believes that the future benefits associated with these costs is certain and evident.

(All amounts in Thousands Saudi Riyals unless otherwise stated)

11 LONG-TERM LOANS

The subsidiary Company has signed loan agreements with 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 as at December 31 is comprised of the following:

	2010	2009
Commercial Banks' syndication	**1,011,544**	1,176,070
Public Investment Fund loan	**750,000**	468,750
SIDF Loan	**385,000**	400,000
Other liabilities	**21,645**	21,645
	2,168,189	2,066,465
Less: Current portion of long term loans	**(188,968)**	(175,588)
Non-current portion of long term loans	**1,979,221**	1,890,877

The subsidiary company has signed a loan agreement with the Commercial Banks' syndication in February 2006. The term loan is secured by a second charge on the Company's assets. These loans carry borrowing costs at commercial rates and are repayable in 17 bi-annual installments commencing from the end of December 31, 2009. The installments due in the next 12 months are shown as a current liability.

The subsidiary company has signed a loan agreement with Public Investment Fund (PIF) on June 23, 2008 for a loan of USD 125 million (SR 468.75 million) which was fully drawn in 2008. The Company signed an additional loan agreement with PIF on January 5, 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 installments starting on June 30, 2011. The installments due in the next 12 months are shown as a current liability.

The subsidiary company has signed a loan agreement with SIDF in August 2006 for an amount of SR 400 million which was fully drawn as of December 31, 2010 (December 31, 2009: SR 400 million). The SIDF loan carries project evaluation fees amounting to SR 30 million, which was recorded as deferred financial charges. The balance of SR 17,005 thousand as of December 31, 2010 (December 31, 2009: SR 20,151 thousand), appearing in the balance sheet which 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 as follows:

	Security type	%
Xenel Industries Company Limited.	Corporate guarantee	25.9
Safra Company Limited	Corporate guarantee	5
Alujain Corporation	Corporate guarantee	57.4
GOSI	Comfort letter	11.7

The SIDF loan installments due in the next 12 months are shown as a current liability.

(All amounts in Thousands Saudi Riyals unless otherwise stated)

12 PROPERTY, PLANT AND EQUIPMENT, NET

	January 1, 2010	Additions	Disposals	Transfer from work in progress	December 31, 2010
Cost					
Furniture and fixtures	4,068	103	-	-	4,171
Office equipment	2,844	173	(64)	-	2,953
Motor vehicles	2,496	443	-	-	2,939
Computers	8,477	4,819	(150)	-	13,146
Plant and equipment	-	117	-	2,761,233	2,761,350
Leasehold improvements	2,151	115	-	-	2,266
Total	**20,036**	**5,770**	**(214)**	**2,761,233**	**2,786,825**
Accumulated depreciation					
Furniture and fixtures	1,357	776	-	-	2,133
Office equipment	1,485	514	(64)	-	1,935
Motor vehicles	1,495	448	-	-	1,943
Computers	3,827	1,875	(150)	-	5,552
Plant and equipment	-	56,592	-	-	56,592
Leasehold improvements	1,234	358	-	-	1,592
Total	**9,398**	**60,563**	**(214)**	-	**69,747**
Net book value	**10,638**				**2,717,078**

Property, plant and equipment are mortgaged with the Saudi Industrial Development Fund (SIDF) as security against the term loan received from the fund.

	January 1, 2009	Additions	Disposals	Transfer from work in progress	December 31, 2009
Cost					
Furniture and fixtures	2,104	2,014	(50)	-	4,068
Office equipment	2,330	514	-	-	2,844
Motor vehicles	1,976	520	-	-	2,496
Computers	6,890	1,587	-	-	8,477
Leasehold improvements	2,151	-	-	-	2,151
Total	**15,451**	**4,635**	**(50)**	-	**20,036**
Accumulated depreciation					
Furniture and fixtures	553	828	(24)	-	1,357
Office equipment	965	520	-	-	1,485
Motor vehicles	1,102	393	-	-	1,495
Computers	2,157	1,670	-	-	3,827
Leasehold improvements	866	368	-	-	1,234
Total	**5,643**	**3,779**	**(24)**	-	**9,398**
Net book value	**9,808**				**10,638**

(All amounts in Thousands Saudi Riyals unless otherwise stated)

13 ACCRUALS AND OTHER LIABILITIES

	2010	2009
Accrued expenses	184,954	118,203
Advances from customers	7,995	144,098
Other liabilities	108	278
	193,057	262,579

14 ZAKAT MATTERS

Zakat computation for the years ended December 31, was based on the standalone financial statements for the parent company and the subsidiary company.

a) Movement of Zakat provision during the years ended December 31 was as follows:

	2010	2009
Beginning balance	8,272	9,030
Provided during the year	7,532	810
Paid during the year	(1,288)	(1,568)
Ending balance	14,516	8,272

b) Zakat status

- Alujain Corporation (the parent company):

The Company finalized its Zakat status for the year ended December 31, 2002 and obtained the final Zakat certificate. The Company filed the final Zakat returns for the years ended December 31, 2003 to 2009. However the DZIT did not issue its assessments for the years 2003 to 2009 till to date.

- National Petrochemical Industrial Company (the subsidiary company):

The Company filed its Zakat returns for the period/years ended December 31, 1999 to 2005 and obtained the restricted Zakat certificate. The DZIT issued the final Zakat assessment for the period/years ended December 31, 1999 to 2005 and claimed additional Zakat differences, withholding tax and penalties of SR 8,559,649. The Company objected against the said assessment which has been transferred to preliminary objection committee for review and decision. The preliminary objection committee issued its decision by which Zakat and withholding tax differences were reduced to SR 7,435,625. The Company filed an appeal against the preliminary objection committee's decision with the Higher Appeal Committee, which is still under review by Higher Appeal Committee.

The Company filed its Zakat returns for the years ended December 31, 2006 to 2008 and obtained restricted Zakat certificate for the year 2008. The DZIT issued the Zakat assessment for the years from 2006 to 2008 based on the field audit and claimed additional Zakat differences, withholding tax of SR 12,042,835. The Company objected against the said assessment and settled the withholding tax and delay fine due of SR 9,037,065 under protest, which is still under review by DZIT.

The Company filed its Zakat return for the year ended December 31, 2009 and obtained restricted Zakat certificate for the year 2009.The DZIT did not issue the final assessment for the year ended December 31, 2009 till to date.

(All amounts in Thousands Saudi Riyals unless otherwise stated)

15 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 equals 50% of its share capital. No such transfer to the reserve was made as the Group has accumulated losses during the year ended December 31, 2010. This reserve is not available for distribution to the shareholders of the Company.

16 CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair value for the years ended December 31 is as follows:

	2010	2009
Beginning balance	(56,424)	(86,830)
Unrealized gain on revaluation of investments, net of amount realized on disposed investments	-	1,250
Unrealized (loss)/gain relating to cash flow hedges (note 2)	(6,569)	29,156
Ending balance	(62,993)	(56,424)

17 CAPITAL GAIN ON SALE OF SHARES

During the year ended December 31, 2010, the Company subscribed for additional 10,367,787 shares in Natpet (a subsidiary Company) at the par value of SR 10 per share, thus increasing Alujain's ownership in Natpet from 57.4% to 58.9%. As the company's intention is to keep its ownership in Natpet at 57.4%, so the excess shares of 1,614,370 shares were sold to an affiliate at SR 17 per share. Accordingly, the company realized a capital gain on sale of shares amounting to SR 11,301 thousand, which was reflected in the consolidated income statement for the year.

18 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 are as follows:

	2010	2009
Salaries and wages	39,546	34,994
Legal and professional fees	7,814	3,584
Travel and accommodation	4,069	3,373
Depreciation	3,995	3,779
Rents	3,504	4,068
Public relation and publicity	3,340	3,293
Information technology	2,079	972
Subscriptions and supplies	1,908	1,241
Utilities and services	1,375	1,434
Meetings, seminars and conferences	891	635
Engineering and technical assistance	771	896
Directors' compensation	742	768
Repairs and maintenance	110	1,434
Other	3,425	7,308
	73,569	67,779

19 CONTINGENT LIABILITIES

The parent company has an outstanding letter of credit on behalf of the subsidiary company (NATPET) amounting to SR 31,760 thousand of which SR 31,277 thousand is secured by bank deposit (2009: SR 31,760,000 of which SR 30,118 thousand is secured by bank deposit) and included under non-current assets as security deposit.

As at December 31, 2010, the subsidiary company has contingent liabilities related to letters of credit amounting to SR 19,907 thousand (2009: SR 44,957 thousand) on which a margin deposit of SR 27,219 thousand was paid (2009: SR 37,500 thousand) and letters of guarantee amounting to SR 290,246 thousand (2009: SR 174,371 thousand) on which a margin deposit of SR 8,169 thousand was paid (2009: SR 8,169 thousand).

20 INCOME (LOSS) PER COMMON SHARE

Income (loss) per common share on income (loss) from operations is calculated by dividing the income (loss) from operations by the weighted average number of common shares in issue during the year.

Net income (loss) per common share on net income (loss) before minority interest is calculated by dividing the net income (loss) before minority interest by the weighted average number of common shares in issue during the year.

Net income (loss) per common share on net Income (loss) is calculated by dividing the net Income (loss) by the weighted average number of common shares in issue during the year.

The weighted average number of ordinary shares outstanding during the year ended December 31, 2010 and 2009 was SR 69.2 million shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Group.

21 COMPARATIVE FIGURES

Certain 2009 amounts have been reclassified to conform with the presentation in the 2010 year.