

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2014
AND LIMITED REVIEW REPORT

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014

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LIMITED REVIEW REPORT

October 28, 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 September 30, 2014 and the interim consolidated income statement for the three-month and nine-month periods ended September 30, 2014 and the interim consolidated statements of cash flows and changes in equity for the nine-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.

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

	Note	As at September 30,	
		2014 (Unaudited)	2013 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		333,988	184,189
Murabaha investments		-	17,022
Accounts receivable		295,015	332,190
Prepayments and other receivables		60,737	86,985
Due from related parties		19,635	47,663
Inventories		342,085	358,066
		<u>1,051,460</u>	<u>1,026,115</u>
Non-current assets			
Investments	3	40,538	44,070
Projects in progress		-	561
Deferred charges		17,700	23,948
Property, plant and equipment		2,354,513	2,494,668
		<u>2,412,751</u>	<u>2,563,247</u>
Total assets		<u>3,464,211</u>	<u>3,589,362</u>
Liabilities			
Current liabilities			
Short-term loan		-	114,304
Current portion of long-term loans	5	219,050	252,480
Accounts payable		115,971	157,123
Accruals and other liabilities		253,712	223,468
Due to related parties		1,650	2,440
Zakāt provision		15,179	12,315
		<u>605,562</u>	<u>762,130</u>
Non-current liabilities			
Long-term loans	5	1,330,062	1,543,311
Derivatives financial instruments		38,071	55,952
Employee termination benefits		21,430	18,150
		<u>1,389,563</u>	<u>1,617,413</u>
Total liabilities		<u>1,995,125</u>	<u>2,379,543</u>
Equity			
Equity attributable to shareholders of the parent company:			
Share capital	6	692,000	692,000
Statutory reserve	7	33,475	19,873
Cumulative changes in fair values of derivatives		(18,465)	(26,770)
Retained earnings		145,422	23,013
Total shareholders' equity		<u>852,432</u>	<u>708,116</u>
Non-controlling interest		616,654	501,703
Total equity		<u>1,469,086</u>	<u>1,209,819</u>
Total liabilities and equity		<u>3,464,211</u>	<u>3,589,362</u>

The accompanying 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		Beginning of the year to	
		September 30, 2014 (unaudited)	2013 (unaudited)	September 30, 2014 (unaudited)	2013 (unaudited)
Sales		547,503	496,853	1,559,716	1,289,351
Cost of sales		(432,957)	(385,869)	(1,289,036)	(1,056,956)
Gross profit		114,546	110,984	270,680	232,395
Operating expenses					
General and administrative expenses		(14,129)	(15,206)	(41,303)	(41,639)
Selling and distributions expenses		(5,214)	(5,022)	(15,570)	(16,256)
Income from operations		95,203	90,756	213,807	174,500
Other (expenses) / income					
Insurance compensation	4	-	50,229	51,079	50,229
Financial charges		(16,749)	(21,840)	(54,252)	(61,869)
Foreign currency exchange (loss) gain		(1,210)	226	685	(1,257)
Projects cost		(1,705)	(1,780)	(4,779)	(4,809)
Change in fair value of derivative financial instruments		1,549	1,533	2,642	4,842
Amortization of deferred charges		(3,040)	(2,347)	(9,121)	(7,044)
Other income		101	105	721	296
Provision of projects under study		-	(11,101)	-	(11,101)
Share in loss of joint ventures		(7,800)	-	(7,800)	-
Impairment of available for sale investments		-	(154)	(700)	(358)
Income before zakat and non-controlling interest		66,349	105,627	192,282	143,429
Zakat		(3,660)	(4,794)	(8,038)	(5,430)
Income before non-controlling interest		62,689	100,833	184,244	137,999
Non-controlling interest		(27,835)	(43,875)	(82,049)	(61,996)
Net income for the period		34,854	56,958	102,195	76,003
Earnings per share:					
Income from operation	8	1.38	1.31	3.09	2.52
Net income for the period	8	0.50	0.82	1.48	1.10

The accompanying 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)

	Nine-month period ended September 30,	
	2014 (Unaudited)	2013 (Unaudited)
Cash flow from operating activities		
Net income for the period	102,195	76,003
<u>Adjustments for non-cash items</u>		
Depreciation	131,367	134,810
Amortization of deferred charges	9,121	7,044
Provision of projects under study	-	11,101
Impairment of available for sale investments	700	358
Zakat provision	8,038	5,430
Change in fair value of derivative financial instruments	(2,642)	(4,842)
Share in loss of joint ventures	7,800	-
Income from investments in Murabaha Funds	(75)	(105)
Income attributable to non-controlling interest	82,049	61,996
<u>Changes in working capital:</u>		
Accounts receivable	24,395	(69,783)
Prepayments and other receivables	(31,148)	(4,082)
Due from related parties	(4,482)	(17,644)
Inventories	(28,900)	(74,693)
Accounts payable	(13,353)	12,091
Accruals and other liabilities	40,301	22,628
Due to related parties	(1,621)	(2,392)
Employee termination benefits	2,234	2,358
Zakat paid	(8,447)	(1,598)
Net cash generated from operating activities	<u>317,532</u>	<u>158,680</u>
Cash flow from investing activities		
Murabaha investments	15,075	(8,882)
Purchase of property and equipment	(4,189)	(91,076)
Net cash provided by (utilized in) investing activities	<u>10,886</u>	<u>(99,958)</u>
Cash flow from financing activities		
Long-term loans	(124,469)	63,786
Short-term loan	(142,496)	(5,696)
Change in non-controlling interests	1,854	8,158
Net cash (utilized in) provided by financing activities	<u>(265,111)</u>	<u>66,248</u>
Net increase in cash and cash equivalents	63,307	124,970
Cash and cash equivalents - beginning of period	<u>270,681</u>	<u>59,219</u>
Cash and cash equivalents - end of period	<u><u>333,988</u></u>	<u><u>184,189</u></u>

The accompanying 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 equity
(All amounts in Thousand Saudi Riyals unless otherwise stated)

	Note	Nine-month period ended September 30,	
		2014 (Unaudited)	2013 (Unaudited)
Equity attributable to shareholders of the parent company:			
Share Capital	6	<u>692,000</u>	692,000
Statutory reserve	7		
Beginning balance		23,255	17,316
Transfer from retained earnings		<u>10,220</u>	2,557
Ending balance		<u>33,475</u>	19,873
Cumulative changes in fair values of derivatives			
Beginning balance		(20,963)	(37,763)
Fair value adjustments		<u>2,498</u>	10,993
Ending balance		<u>(18,465)</u>	(26,770)
Retained earnings			
Beginning balance		53,447	(50,433)
Income for the period		102,195	76,003
Transfer to statutory reserve		<u>(10,220)</u>	(2,557)
Ending balance		<u>145,422</u>	23,013
Total shareholders' equity in the parent company		<u>852,432</u>	708,116
Non-controlling interests			
Beginning balance		532,751	431,549
Net income for the period attributable to non-controlling interests		82,049	61,996
Movement during the period		<u>1,854</u>	8,158
Ending balance		<u>616,654</u>	501,703
Total equity		<u>1,469,086</u>	1,209,819

The accompanying 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 and nine-month periods ended September 30, 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 (2013: 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.

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 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 consolidated financial statements

The interim consolidated financial statements for the nine-month period ended September 30, 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 results of operations for three-month and nine-month periods ended September 30, 2014 may not represent proper indication for the annual results of the operations. The interim consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated 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.

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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. A joint venture entity is an entity in which two or more ventures have an interest, under a contractual arrangement that establishes joint control over the entity. 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) 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:

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2 Summary of significant accounting policies (continued)

2.4 Investments (continued)

- (c) 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 three-months or less from the purchase date, if any.

2.8 Murabaha investments

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

2.9 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:

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2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

	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

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.

2.10 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 construction costs which are amortized over periods which do not exceed seven years.

2.11 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.

2.12 Impairment of non-financial assets

Non-financial assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the interim consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

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2 Summary of significant accounting policies (continued)

2.13 Projects in progress

Projects in progress 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 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. Upfront fees paid on borrowings are amortized over the term of the loan.

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 Group.

2.16 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.

2.17 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.

2.18 Operating leases

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

2.19 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.

2.20 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.

2 Summary of significant accounting policies (continued)

2.20 Derivative financial instruments and hedging (continued)

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.

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 income statement, 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 income statement. 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.

2.21 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.

2.22 Revenue recognition

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

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

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2 Summary of significant accounting policies (continued)

2.23 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, distribution and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.24 Reclassifications

Certain reclassifications have been made in the comparative September 30, 2013 interim consolidated financial statements for better presentation of the financial position of the Group.

3 Investments

	2014	2013
Investment in joint ventures (a)	29,200	32,000
Investment in an associate (b)	9,816	9,816
Available for sale investments	1,522	2,254
	<u>40,538</u>	<u>44,070</u>

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

	2014	2013
BONAR – NATPET (*)	24,200	32,000
NATPET – SCHULMAN (**)	5,000	-
	<u>29,200</u>	<u>32,000</u>

Movement in the investment in joint ventures is as follows:

	2014	2013
Opening balance	37,000	32,000
Share in loss of investments	(7,800)	-
Closing balance	<u>29,200</u>	<u>32,000</u>

(*) 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 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 fourth 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 Netherland to set up a manufacturing plant in Yanbu to produce polypropylene compounds. The Company owns 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, as of September 30, 2014, 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 September 30, 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.

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4 Insurance compensation

During the second quarter of 2014, the subsidiary company agreed with the insurance company on the amount of settlement of Saudi Riyals 91.88 million with regards to its claim for the breakdown which occurred in its plant in the first quarter of 2013. The settlement comprises of Saudi Riyals 40.80 million pertaining to machinery repairs and Saudi Riyals 51.08 million as a compensation of the loss of profit arising from lower production as a result of this breakdown. The subsidiary company has received the full amount of its claim.

During the nine-month period ended September 30, 2013, the Group recorded Saudi Riyals 50 million of insurance compensation income related to the claim for the breakdown of the plant that occurred during 2012. These funds were fully received from insurance company during 2013.

5 Long-term loans

The subsidiary company 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 installments due in the next 12 months are shown as a current liability. The loan balance is comprised of the following as of September 30:

	2014	2013
Islamic bridge / commercial banks' syndication (a)	897,520	1,000,000
Public Investment Fund loan (b)	487,500	562,500
SIDF Loan (c)	160,000	235,000
Others	<u>21,645</u>	<u>21,645</u>
	1,566,665	1,819,145
Less: Deferred financial charges	<u>(17,553)</u>	<u>(23,354)</u>
	1,549,112	1,795,791
Less: Current portion of long-term loans	<u>(219,050)</u>	<u>(252,480)</u>
Non-current portion of long-term loans	<u>1,330,062</u>	<u>1,543,311</u>

(a) 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 company's plant and machinery.

(b) The subsidiary company 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 company 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 from June 30, 2011.

(c) The subsidiary company 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 5.21 million as at September 30, 2014 (2013: Saudi Riyals 8.35 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 plant and machinery of the project, corporate guarantees and a comfort letter.

6 Share capital

The share capital of the Company as of September 30, 2014 was comprised of 69,200,000 shares at Saudi Riyals 10 per share.

7 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 nine-month period ended September 30, 2014, the Company transferred Saudi Riyals 10.2 million to statutory reserve (2013: Saudi Riyals 2.6 million). This reserve is not available for distribution to the shareholders.

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8 Earnings per share

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

9 Segment information

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

10 Contingencies and commitments

As at September 30, 2014, the Group has contingent liabilities related to letters of guarantee amounting to Saudi Riyals 440.2 million (2013: Saudi Riyals 440.2 million) on which a margin deposit of Saudi Riyals 8.2 million was paid (2013: Saudi Riyals 8.3 million).

The Group has also submitted a bank guarantee amounting to Saudi Riyals 21.7 million against its appeal to DZIT assessment on which a margin deposit of Saudi Riyals 8.2 million was paid.

The Group has also given a guarantee to a bank for loan to one of its joint venture (see note 3).