

**Saudi Industrial Investment Group
and Its Subsidiaries
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTH PERIOD ENDED 31
MARCH 2011**

SAUDI INDUSTRIAL INVESTMENT GROUP AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2011

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LIMITED REVIEW REPORT

To the shareholders of Saudi Industrial Investment Group
(A Saudi Joint Stock Company)


Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Industrial Investment Group - a Saudi Joint Stock Company - (the "Company") and its subsidiaries (the "Group") as at 31 March 2011, and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three month period then ended. These interim consolidated financial statements are the responsibility of the 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 on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

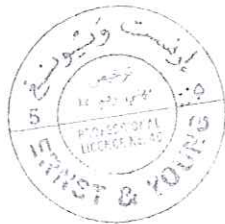
Conclusion

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

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 15 Jumad Awal 1432H
(19 April 2011)

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2011

(Amounts in SR '000)

	Note	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,825,624	4,354,260
Accounts receivable, prepayments and other assets		684,832	636,776
Inventories		302,031	269,833
TOTAL CURRENT ASSETS		5,812,487	5,260,869
NON-CURRENT ASSETS			
Projects under construction	4	16,746,760	12,539,802
Deferred charges, net		219,455	230,906
Property, plant and equipment, net		2,601,899	2,817,050
TOTAL NON-CURRENT ASSETS		19,568,114	15,587,758
TOTAL ASSETS		25,380,601	20,848,627
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities		645,653	578,582
Zakat provision	5	137,768	150,078
Current portion of term loans	6	172,809	101,373
TOTAL CURRENT LIABILITIES		956,230	830,033
NON-CURRENT LIABILITIES			
Long term accounts payable		344,099	1,009,595
Term loans	6	14,090,453	9,603,267
Subordinated loan from the non-controlling partner	7	14,861	1,299,221
Employees' terminal benefits		31,270	21,920
TOTAL NON-CURRENT LIABILITIES		14,480,683	11,934,003
TOTAL LIABILITIES		15,436,913	12,764,036
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	8	4,500,000	4,500,000
Statutory reserve		255,527	215,066
Retained earnings		1,159,148	930,346
TOTAL SHAREHOLDERS' EQUITY		5,914,675	5,645,412
Non-controlling interest		4,029,013	2,439,179
TOTAL EQUITY		9,943,688	8,084,591
TOTAL LIABILITIES AND EQUITY		25,380,601	20,848,627

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries
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INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three months period ended 31 March 2011

(Amounts in SR '000)

	<i>Note</i>	2011	2010
Sales		1,138,728	862,217
Cost of sales		(841,906)	(645,444)
GROSS PROFIT		296,822	216,773
Selling, general and administration expenses		(42,052)	(36,634)
INCOME FROM MAIN OPERATIONS		254,770	180,139
Financial charges		(4,046)	(5,810)
Other income		5,958	5,627
INCOME BEFORE NON-CONTROLLING INTEREST AND ZAKAT		256,682	179,956
Non-controlling interest share in net loss of subsidiaries		5,413	22,354
INCOME BEFORE ZAKAT		262,095	202,310
Zakat	5	(28,466)	(60,134)
NET INCOME		233,629	142,176
EARNINGS PER SHARE FOR THE PERIOD (SR)	9		
Attributable to the income from main operations		0.57	0.40
Attributable to the net income		0.52	0.32

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three month period ended 31 March 2011

(Amounts in SR '000)

	2011	2010
OPERATING ACTIVITIES		
Income before zakat	262,095	202,310
Adjustments for:		
Depreciation and amortization	56,173	50,340
Employees' terminal benefits, net	4,311	1,683
Gain on sale of property, plant and equipment	(81)	-
Non-controlling interest share in net loss of subsidiaries	(5,413)	(22,354)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and others assets	(111,244)	(57,894)
Inventories	(46,217)	(65,814)
Accounts payable, accrued liabilities and other liabilities	106,012	138,439
Net cash from operating activities	265,636	246,710
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,805)	(424)
Proceeds from matured governmental bonds	-	33,032
Deferred charges, paid	-	(90,000)
Projects under construction	(538,700)	(1,250,279)
Net cash used in investing activities	(548,505)	(1,307,671)
FINANCING ACTIVITIES		
Proceeds from term loans	1,338,580	829,432
Non-controlling interest	718	-
Net cash from financing activities	1,339,298	829,432
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,056,429	(231,529)
Cash and cash equivalents at the beginning of the period	3,769,195	4,585,789
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,825,624	4,354,260

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNADUITED)

For the three month period ended 31 March 2011

(Amounts in SR '000)

	Attributable to the shareholders' equity				Non- controlling Interest
	Share capital	Statutory reserve	Retained earnings	Total	
Balance as at 1 January 2011	4,500,000	255,527	925,519	5,681,046	4,033,708
Non-controlling interest	-	-	-	-	718
Net income	-	-	233,629	233,629	(5,413)
Balance as at 31 March 2011	4,500,000	255,527	1,159,148	5,914,675	4,029,013
Balance as at 1 January 2010	4,500,000	215,066	788,170	5,503,236	2,461,533
Net income	-	-	142,176	142,176	(22,354)
Balance as at 31 March 2010	4,500,000	215,066	930,346	5,645,412	2,439,179

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
31 March 2011

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group (the "Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010139946 dated 10 Shabaan 1416H (corresponding to 1 January 1996). The Company was formed pursuant to the Ministry of Commerce and Industrial's resolution numbered 291 dated 29 Jumad Thani 1416 H (corresponding to 23 November 1995).

The Company is engaged in enhancing the growth and development of the industrial base of the Kingdom, mainly the petrochemicals industry, opening more channels for the exportation of the products and more ways for private sector in the Kingdom to enter into other industries by using petrochemical products after obtaining the required licenses the relevant authorities.

2. BASIS OF CONSOLIDATION

These interim consolidated financial statements include the interim financial statements of the Company, its subsidiaries and joint ventures (the "Group"), as adjusted by the elimination of significant inter-company balances and transactions. The jointly controlled entities are reported using proportionate consolidation, whereby the Company's share in the assets, liabilities, income and expenses of jointly controlled entities is consolidated on a line-by-line basis with the corresponding items in the Company's financial statements.

The financial statements of the subsidiaries and joint ventures are prepared using accounting policies which are consistent with those of the Company.

A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exercise effective management control. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control.

The subsidiaries and joint controlled companies are as follows:

		Direct and indirect shareholding %		Country of Incorporation
		2011	2010	
National Petrochemical Company (Petrochem)*	Subsidiary	50	50	Saudi Arabia
Saudi Chevron Philips ("SCP")	Joint venture	50	50	Saudi Arabia
Jubail Chevron Philips ("JCP")	Joint venture	50	50	Saudi Arabia
Saudi Nylon Company, Saudi Benzene Company, Saudi Paraxylene Company and Saudi Cyclohexane Company (the "Local Entities")	Subsidiaries	100	100	Saudi Arabia

* The subsidiaries of Petrochem are as follows:

		Shareholding %		Country of Incorporation
		2011	2010	
Saudi Polymers Company ("SPCo")	Subsidiary	65	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO ("GPDCo")	Subsidiary	65	-	United Arab of Emirates

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

2. BASIS OF CONSOLIDATION (Continued)

Saudi Polymers Company ("SPCo")

SPCo is in pre-operation stage and it is expected to commence its commissioning operation at the end of 2011.

During the fourth quarter ended 31 December 2010, the partners of SPCo have resolved to increase SPCo's capital by SR 4,532 million from SR 268 million to SR 4,800 million by transferring it from the partners' subordinated loan. The legal formalities to effect such increase in the capital are still in progress.

Gulf Polymers Distribution Company FZCO ("GPDCo")

During the first quarter of 2011, GPDCo has been incorporated as a free zone limited liability company registered in the Dubai Airport Free Zone dated 12 Rabi Awal 1432 H (corresponding to 15 February 2011). GPD Co is engaged in worldwide sales and storage of polymer and monomer products and international warehousing.

The Local Entities

During the year 2010, the Company has resolved to liquidate the Local Entities, having their purpose been achieved, i.e. incorporation of Petrochem. Legal formalities of liquidation are still in process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by Group in preparing its interim consolidated financial statements, summarized below, are consistent with those used in the preparation of the last audited consolidated financial statements for the year ended 31 December 2010. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2010. The figures in these interim consolidated financial statements are rounded to nearest thousand.

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of the interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

Accounts receivable

Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined as follows:

- | | |
|-------------------------------------|--|
| Raw materials, spares and catalysts | - purchase cost on a weighted average basis. |
| Finished goods | - cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

Saudi Industrial Investment Group and Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment/Depreciation

Property, plant and equipment are stated at cost net of accumulated depreciation except for Platinum (precious metal) which is stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease. The estimated useful lives for the calculation of depreciation are as follows:

	Years		Years
Plant and equipments	5- 20	Office equipment and furniture	3.33-10
Buildings	20	Leasehold improvements	5
Vehicles	4		

Project under construction

Project under construction appear at cost until the asset is ready for its intended use, thereafter; it is re-classified to be as property and equipment. Project under construction includes the cost of contractors, materials, services, borrowing, salaries and other overhead allocated on systematic basis.

Deferred charges/amortization

Deferred charges comprise agency and upfront fees and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction.

Included in deferred charges turnaround costs, which are deferred and amortised over the period (15 to 30 months) until the date of the next planned turnaround. Should unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortised deferred costs are immediately expensed and new turnaround costs are deferred and amortised over the period likely to benefit from such costs.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim consolidated statement of income.

Impairment of financial assets

Periodically, a review of the carrying amounts of the long term tangible assets is conducted to determine whether there is any indication that those assets have suffered impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is computed.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the interim consolidated statement of income.

Where impairment base subsequently reversed, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised as income immediately in the interim consolidated statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not by the supplier or service provider.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

Zakat and income tax

Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the interim consolidated statement of income. Differences, if any, resulting from the final Zakat assessments are adjusted in the year of their finalization. The foreign partner in subsidiaries is subject to income tax which is included in non-controlling interest in the interim consolidated financial statements.

Employees' terminal benefits

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

Fair value

The fair value of commission-bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year. The Company may resolve to discontinue such transfers when it builds up a reserve equal to one half of the capital. The reserve is not available for distribution.

Revenue recognition

Sales represent the invoiced value of goods supplied by the Group during the year and is recognized when the significant risks and rewards of the ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on the delivery to the customer.

Earnings on bank deposits are recognized on an accrual basis.

Expenses

Selling and distribution expenses are those expenses that specifically relate to the delivery and marketing of products. All other expenses, other than capitalized costs and financial charge, are allocated on a consistent basis to cost of sales and general and administration expenses based on allocation factors approved by management.

Operating leases

Operating leases payments are recognised as expense in the interim consolidated statement of income on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are translated into Saudi Riyals at the rate prevailing at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated balance sheet date are retranslated at the rate prevailing at that date. All differences are taken to the interim consolidated statement of income.

Segment reporting

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

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Saudi Industrial Investment Group and Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

4. PROJECTS UNDER CONSTRUCTION

Represents mainly cost of construction works of polymers plant (the "Plant"), with estimated total cost exceeding SR 20 billion. It is anticipated that the construction works will be completed and commissioning works will start at the end of 2011. The machinery and equipment of the Plant are pledged as a part of collaterals against loan facilities (note 6).

5. ZAKAT

Zakat is provided for and charged to the interim consolidated statement of income on an estimated basis. Differences resulting from the final zakat calculation are adjusted at year end.

Zakat returns have been filed with the Department of Zakat and Income Tax ("DZIT") for all prior years up to 2009. The DZIT has raised the final zakat assessments up to 2006 and the Company has agreed on DZIT's assessments up to 2001. The Company has filed an appeal against disallowance of certain items included in the assessment for the years 2002 to 2006, which resulted in a difference of SR 41,938,103, the appeal is still pending. As per the management's assessment, the Company has made provision of SR 20 million in the year 2010 for items under appeal.

As for Petrochem, zakat returns have been filed with the DZIT for 2008 and 2009 and zakat due was settled accordingly. The DZIT has raised the zakat assessment for 2008, claiming a difference of SR 53,092,939. Petrochem has filed an appeal against this assessment before the Preliminary Zakat Appeal Committee, which is still pending. Based on the zakat consultant's advice; the management believes that the ultimate outcome of this issue will be in its favor.

6. TERM LOANS

Term loans balances represent the utilized amounts from loan facilities obtained by SPCo and JCP (the "Borrowing Companies") from commercial banks syndication, Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF"), to finance their projects.

The securities of these loans include pledging equipments and assignment and charge of bank accounts of related projects. These loans carry commission at normal commercial rates loans with similar risks.

The Borrowing Companies are required to comply with certain covenants under all the loan facility agreements.

7. SUBORDINATED LOAN FROM THE NON-CONTROLLING PARTNER

Represents share of Arabian Chevron Petrochemical Company Limited (the "non-controlling partner") in the commission free loan granted to SPCo from its partners according to their relative ownership. The loan is repayable subject to the minimum level required to be maintained by the terms of the loan facility arrangements granted by PIF.

8. SHARE CAPITAL

Share capital is divided into 450 million shares of SR 10 each (2010: 450 million shares).

9. EARNINGS PER SHARE

Earnings per share are calculated by dividing income from main operations and net income for the period by the number of outstanding shares amounting to 450 million shares (2010: 450 million shares).

10. INTERIM RESULTS

The interim results of operations for the interim periods may not be an accurate indication of the annual results of operations.

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

11. CONTINGENT LIABILITIES

The Group's bankers have issued, on its behalf, bank guarantees as follows:

Amounts in SR '000	2011	2010
Related to nylon project	946,900	562,600
Cost overrun related to polymers project	734,400	734,400
Guarantee	478,700	478,700
	<u>2,160,000</u>	<u>1,775,700</u>

These contingent liabilities are secured partially against cash margin.

12. SEGMENT INFORMATION

The Group's operations consist from the following organizational segments:

- SCP - Petrochem
- JCP - Head office

For the year ended 31 March 2011

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	Total
Sales	883,354	885,999	-	-	(630,625)	1,138,728
Gross margin	198,651	98,171	-	-	-	296,822
Net income (loss)	184,047	73,371	(10,520)	233,629	(246,898)	233,629
Total assets	2,222,356	2,822,197	19,776,530	6,013,456	(5,453,938)	25,380,601
Total liabilities	669,612	2,222,667	15,072,472	98,781	(2,626,619)	15,436,913

For the year ended 31 March 2010

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements	Total
Sales	660,378	671,783	-	-	(469,944)	862,217
Gross margin	157,052	59,721	-	-	-	216,773
Net income (loss)	144,407	35,034	(42,943)	142,176	(136,498)	142,176
Total assets	2,073,659	2,680,230	15,436,636	5,705,083	(5,046,981)	20,848,627
Total liabilities	507,583	2,243,189	10,631,385	59,672	(677,793)	12,764,036

13. CAPITAL COMMITMENTS

The balance of unused capital expenditure commitment approved by the board of directors of SPCo in connection with the construction of the Plant was SR 1.84 billion (2010: SR 6.34 billion).

The balance of unused capital expenditure commitment approved by the board of directors of SCP & JCP in connection with plants maintenance activities was SR 28.13 million (2010: SR 57.8 million in connection with construction of administrative complex).

Saudi Industrial Investment Group and Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED
31 March 2011

14. DISTRIBUTION OF NET INCOME

On 5 Muhurram 1432 H (corresponding to 11 December 2010) the board of directors recommended the general assembly to distribute cash dividends at 5% of nominal value of share (SR 0.5 per share) for the year ended 2010 with total dividends of SR 225 million.

In addition, on 19 Rabi Awal 1432H (corresponding to 22 February 2011) the board of directors recommended the general assembly to approve board's remuneration of SR 1.8 million for the year ended 2010.

15. COMPARATIVE FIGURES

Certain of the prior period figures have been re-classified to conform with the current period's presentation.