

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES  
(A Saudi Joint Stock Company)**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2016 AND LIMITED REVIEW REPORT

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016**

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## **LIMITED REVIEW REPORT**

April 20, 2016

To the shareholders of Basic Chemical Industries Company:  
(A Saudi Joint Stock Company)

### **Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2016 and the interim consolidated statements of income and cash flows for the three-month period then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **Review conclusion**

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

### **PricewaterhouseCoopers**

  
By: \_\_\_\_\_

Ali H. Al Basri  
License Number 409

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Interim consolidated balance sheet**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		205,640,367	153,859,221	175,746,123
Short-term deposits		60,000,000	40,000,000	-
Accounts receivable		122,648,197	157,779,269	145,628,021
Inventories		106,362,055	119,629,182	104,260,428
Prepayments and other receivable		12,991,902	12,136,306	10,837,522
		<b>507,642,521</b>	<b>483,403,978</b>	<b>436,472,094</b>
<b>Non-current assets</b>				
Investment in an associate	1	475,290	372,631	-
Property, plant and equipment		197,703,969	202,165,346	209,640,743
		<b>198,179,259</b>	<b>202,537,977</b>	<b>209,640,743</b>
<b>Total assets</b>		<b>705,821,780</b>	<b>685,941,955</b>	<b>646,112,837</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable		44,488,214	43,706,813	24,269,044
Accrued and other liabilities		41,451,919	41,335,796	31,766,587
Zakat and income taxes payable		13,750,170	10,404,581	12,402,792
		<b>99,690,303</b>	<b>95,447,190</b>	<b>68,438,423</b>
<b>Non-current liability</b>				
Employee termination benefits		23,291,419	23,127,096	22,565,819
<b>Total liabilities</b>		<b>122,981,722</b>	<b>118,574,286</b>	<b>91,004,242</b>
<b>Equity</b>				
Equity attributable to shareholders of the Company:				
Share capital		275,000,000	275,000,000	275,000,000
Statutory reserve		45,357,187	44,345,718	41,167,950
Retained earnings		158,043,604	148,940,385	147,840,473
<b>Total shareholders' equity</b>		<b>478,400,791</b>	<b>468,286,103</b>	<b>464,008,423</b>
<b>Non-controlling interests</b>		<b>104,439,267</b>	<b>99,081,566</b>	<b>91,100,172</b>
<b>Total equity</b>		<b>582,840,058</b>	<b>567,367,669</b>	<b>555,108,595</b>
<b>Total liabilities and equity</b>		<b>705,821,780</b>	<b>685,941,955</b>	<b>646,112,837</b>
Contingencies and commitments	5			

The accompanying notes from 1 to 5 form an integral part of these interim consolidated financial statements.

**Khalid Al-Moammer**  
Authorized Board Member



**Ossama Farouk**  
Chief Executive Officer



**Ashraf Bahnacy**  
Accounts Manager



**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Interim consolidated income statement**  
 (All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended March 31,	
	2016 (Unaudited)	2015 (Unaudited)
Sales	147,936,938	156,129,073
Cost of sales	<u>(114,045,736)</u>	<u>(124,870,898)</u>
Gross profit	33,891,202	31,258,175
<b>Operating expenses</b>		
Selling and distribution	(11,807,560)	(12,263,246)
General and administrative	<u>(3,019,951)</u>	<u>(8,290,793)</u>
Income from operations	19,063,691	10,704,136
<b>Other income (expenses)</b>		
Share in net income (loss) of an associate	102,659	(275,287)
Financial income	278,889	-
Other, net	<u>(627,261)</u>	<u>165,995</u>
Income before zakat and non-controlling interests	18,817,978	10,594,844
Zakat	<u>(2,289,850)</u>	<u>(1,882,137)</u>
Income before non-controlling Interests	16,528,128	8,712,707
Non-controlling interests	<u>(6,413,440)</u>	<u>(5,954,351)</u>
<b>Net income for the period</b>	<u>10,114,688</u>	<u>2,758,356</u>
<b>Earnings per share (Note 2.18):</b>		
• Income from operations	<u>0.69</u>	<u>0.39</u>
• Net income for the period	<u>0.37</u>	<u>0.10</u>
<b>Weighted average number of shares outstanding</b>	<u>27,500,000</u>	<u>27,500,000</u>

The accompanying notes from 1 to 5 form an integral part of these interim consolidated financial statements.

**Khalid Al-Moammer**  
Authorized Board Member

**Ossama Farouk**  
Chief Executive Officer

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Accounts Manager

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**Interim consolidated cash flow statement**  
 (All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended	
	March 31,	
	2016	2015
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net income for the period	10,114,688	2,758,356
<u>Adjustments for non-cash items</u>		
Depreciation	7,351,984	7,297,806
(Gain) loss on disposal of property and equipment	(30,000)	9,997
Share in net (income) loss of an associate	(102,659)	275,287
Income applicable to non-controlling interests	6,413,440	5,954,351
<u>Changes in working capital</u>		
Accounts receivable	35,131,072	255,361
Inventories	13,267,127	8,784,996
Prepayments and other receivable	(855,596)	1,271,829
Accounts payable	781,401	(2,339,432)
Accrued and other liabilities	116,123	(3,531,630)
Zakat and income tax payable	2,289,850	1,899,486
Employee termination benefits	164,323	208,874
Net cash generated from operating activities	<u>74,641,753</u>	<u>22,845,281</u>
<b>Cash flows from investing activities</b>		
Short-term deposits	(20,000,000)	-
Purchase of property, plant and equipment, net	(2,890,607)	(7,783,454)
Proceeds from disposal of property and equipment	30,000	10,000
Net cash utilized in investing activities	<u>(22,860,607)</u>	<u>(7,773,454)</u>
<b>Net increase in cash and cash equivalents</b>	51,781,146	15,071,827
Cash and cash equivalents at beginning of period	<u>153,859,221</u>	<u>160,674,296</u>
<b>Cash and cash equivalents at end of period</b>	<u>205,640,367</u>	<u>175,746,123</u>
<b>Supplemental cash flows information:</b>		
<u>Non-cash financing activity-</u>		
Income taxes charged to non-controlling interests	<u>(1,055,739)</u>	<u>(906,245)</u>

The accompanying notes from 1 to 5 form an integral part of these interim consolidated financial statements.

**Khalid Al-Moammer**  
Authorized Board Member



**Ossama Farouk**  
Chief Executive Officer



**Ashraf Bahnacy**  
Accounts Manager



**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 General information**

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as indicated below. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals, also management and maintenance of projects and factories.

The Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (February 2, 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

On January 11, 2015, the Company signed a memorandum of understanding ("MOU") to form a joint venture project with Ebrahim A. Juffali & Brothers, a Saudi Arabian enterprise, for producing chlorine and its derivatives with an estimated production capacity of 200,000 ton per year. The estimated cost of the project at the time of signing of the MOU is Saudi Riyals 1.2 billion with an expected 50% participation from the Company to be financed partly through commercial loans and a loan from the Saudi Industrial Development Fund and partly through equity, considering the financial viability of the project which is currently under evaluation by both parties.

The accompanying interim consolidated financial statements include the accounts of the Company, and its following various subsidiaries, operating under individual CRs mentioned below:

	<b>Effective ownership percentage at March 31,</b>	
	<b>2016</b>	<b>2015</b>
Basic Chemicals National Company ("BCNC")	<b>100%</b>	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	<b>100%</b>	100%
Saudi Water Treatment Company ("SWTC")	<b>100%</b>	100%
Huntsman APC ("HAPC")	<b>49%</b>	49%
National Adhesives Company Limited ("NAL")	<b>47%</b>	47%

HAPC and NAL are consolidated as they are controlled and managed by the Company.

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR No. 56892 issued on 12 Ramadhaan 1433 H (July 31, 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

The accompanying interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 20, 2016.

**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.

**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, and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2015 annual audited consolidated financial statements of the Group.

The accompanying interim consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the three-month period ended March 31, 2016 may not represent a proper indication for the annual results of operations. These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2015.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**For the three-month period ended March 31, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.2 Critical accounting estimates and judgments**

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards 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 reporting date and the reported amounts of revenues and expenses during the reporting period. 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**2.3 Foreign currency translations**

(a) Reporting currency

These interim consolidated financial statements 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 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. The net amounts of foreign exchange gains and losses were not significant for the three-month periods ended March 31, 2016 and 2015.

**2.4 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.

**2.5 Short-term deposits**

Short-term deposits include placements 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.

**2.6 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 an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the interim consolidated income statement.

**2.7 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.

**2.8 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.



**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**For the three-month period ended March 31, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

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.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated.

**(b) Associates**

Associates are entities over which the Group has significant influence but not 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.

The Group's share of its associates' 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 are eliminated to the extent of the Group's interest in the associates. 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.

**2.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, except construction in progress which is stated at cost. Land is not depreciated. 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:

	<b>Number of years</b>
• Buildings and leasehold improvements	25
• Plant and machinery	15
• Furniture, fixtures and office equipment	3 - 5
• Motor vehicles	4 - 7

Leasehold improvements are depreciated over the lower of estimated useful life or lease term.

Gains and losses on disposals are determined by comparing proceeds with carrying amount 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 income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

**2.10 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 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 interim consolidated income statement.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.11 Accounts payable and accruals**

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

**2.12 Zakat and taxes**

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Foreign shareholders in the consolidated subsidiaries are subject to income tax. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests. Provision for zakat for the Company and zakat related to the Company's ownership in the subsidiaries is charged to the interim consolidated income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**2.13 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 at the current value of the vested benefits to which the employee is entitled, should the employee leave at the interim consolidated balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

**2.14 Revenues**

Revenues are recognized upon delivery of the products or on performance of services. Revenues are shown net of certain expenses and after eliminating sales within the Group.

**2.15 Selling, distribution and general and administrative expenses**

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

**2.16 Dividends**

Dividends are recorded in the interim consolidated financial statements in the period in which they are approved by shareholders of the Company.

**2.17 Operating leases**

Rental expense under operating leases is charged to the interim consolidated income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

**2.18 Earnings per share**

Earnings per share for the three-month periods ended March 31, 2016 and 2015 has been computed by dividing the operating income and net income for each period by weighted average number of shares outstanding during such periods.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.19 Segment reporting**

(a) Business segment

A business segment is group of assets, operations or entities:

- (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 group of assets, operations or entities 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.

**2.20 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. The statutory reserve in the accompanying interim consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

**3 Segment information**

The Group operates principally in the following business segments:

- (i) Manufacturing, selling and trading of various types of chemicals; and
- (ii) Manufacturing and selling of adhesive and other materials.

Selected financial information for the three-month periods ended March 31, 2016 and 2015, summarized by the above business segments, was as follows:

	Chemicals	Adhesive and other materials	Total
<b>2016 (Unaudited)</b>			
Sales	92,378,768	55,558,170	147,936,938
Net income	5,058,131	5,056,557	10,114,688
Depreciation	5,511,601	1,840,383	7,351,984
Property, plant and equipment	141,947,370	55,756,599	197,703,969
Total assets	482,403,236	223,418,544	705,821,780
<b>2015 (Unaudited)</b>			
Sales	89,618,391	66,510,682	156,129,073
Net income	(1,812,141)	4,570,497	2,758,356
Depreciation	5,601,093	1,696,713	7,297,806
Property, plant and equipment	154,386,743	55,254,000	209,640,743
Total assets	447,628,667	198,484,170	646,112,837

The Group's operations are principally conducted in Saudi Arabia.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**For the three-month period ended March 31, 2016 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**4 Dividends**

On April 10, 2016, the Company's Board of Directors recommended cash dividends amounting to Saudi Riyals 27.5 million to the shareholders of the Company at Saudi Riyals 1.0 per share.

**5 Contingencies and commitments**

- (i) The Group was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 16.6 million as of March 31, 2016 (2015: Saudi Riyals 11.0 million);
- (ii) The capital expenditure contracted by the Group but not yet incurred till March 31, 2016 was approximately Saudi Riyals 19.0 million (2015: Saudi Riyals 35.0 million);
- (iii) The Group has received additional zakat assessments from the DZIT in 2012 amounting to Saudi Riyals 10.4 million for the years 2003 through 2010. The Group has filed appeals against such additional assessments, which are at various appellate levels and the management believes that no material liability will arise upon the ultimate resolution of these appeals and accordingly, no provision for such additional assessments have been recorded in the accompanying interim consolidated financial statements; and
- (iv) Also see Note 1 related to MOU for participation in a joint venture project.