

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

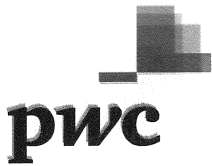
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT

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**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

February 23, 2015

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 (the "Company") and its subsidiary (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in equity for the year then ended, and the notes from 1 to 26 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance 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.

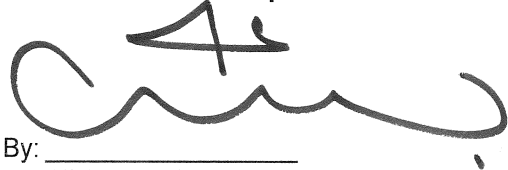
We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies 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, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards 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 By-laws with respect to the preparation and presentation of consolidated financial statements.

### **PricewaterhouseCoopers**



By: \_\_\_\_\_  
Ali A. Alotaibi  
Licence Number 379



**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**  
**Consolidated balance sheet**

(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	As at December 31,	
		2014	2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	408,752	270,681
Murabaha investments		-	15,000
Accounts receivable	5	316,916	319,410
Prepayments and other receivables	6	77,956	54,527
Due from related parties	7	16,994	15,153
Inventories	8	285,504	313,185
		<u>1,106,122</u>	<u>987,956</u>
<b>Non-current assets</b>			
Investments	9	37,470	49,038
Projects under study	10	-	251
Deferred charges	11	16,138	22,385
Property, plant and equipment	12	2,329,283	2,456,753
		<u>2,382,891</u>	<u>2,528,427</u>
<b>Total assets</b>		<u><b>3,489,013</b></u>	<u><b>3,516,383</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term loans	13	73,221	142,496
Current portion of long-term loans	14	231,860	244,670
Accounts payable		118,045	127,721
Accrued and other liabilities	15	200,084	213,411
Due to related parties	7	1,332	3,271
Zakat provision	16	22,094	15,588
		<u>646,636</u>	<u>747,157</u>
<b>Non-current liabilities</b>			
Long-term loans	14	1,198,530	1,424,475
Derivative financial instruments	17	36,646	45,065
Employee termination benefits	18	22,978	19,196
		<u>1,258,154</u>	<u>1,488,736</u>
<b>Total liabilities</b>		<u><b>1,904,790</b></u>	<u><b>2,235,893</b></u>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	1	692,000	692,000
Statutory reserve	19	39,993	23,255
Retained earnings		204,090	53,447
Cumulative changes in fair values of derivatives		(18,584)	(20,963)
<b>Total shareholders' equity</b>		<u><b>917,499</b></u>	<u><b>747,739</b></u>
Non-controlling interest		<u>666,724</u>	<u>532,751</u>
<b>Total equity</b>		<u><b>1,584,223</b></u>	<u><b>1,280,490</b></u>
<b>Total liabilities and equity</b>		<u><b>3,489,013</b></u>	<u><b>3,516,383</b></u>
<b>Contingencies</b>	26		

The attached notes on pages 7 to 22 form an integral part of these consolidated financial statements.

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Consolidated income statement**

(All amounts in Saudi Riyals thousand unless otherwise stated)

	Note	Year ended December 31,	
		2014	2013
Sales		2,132,699	1,876,203
Cost of sales		(1,698,541)	(1,532,349)
Gross profit		434,158	343,854
<b>Operating expenses</b>			
Selling and distribution	20	(21,773)	(26,094)
General and administrative	21	(56,391)	(58,072)
Income from operations		355,994	259,688
<b>Other income (expenses)</b>			
Insurance compensation	23	51,079	50,229
Financial charges	14	(69,546)	(79,977)
Provision of projects under study	10	-	(310)
Projects under study written-off	10	-	(11,101)
Project costs		(6,453)	(6,366)
Foreign currency exchange gain / (loss)		516	(645)
Change in fair value of derivatives	17	4,274	5,611
Amortization of deferred charges	11	(6,247)	(6,247)
Amortization of deferred financial charges	14	(5,915)	(3,724)
Impairment of available-for-sale investment	9	(744)	(390)
Share in loss of a joint venture	9	(10,000)	-
Other income		1,582	488
Income before zakat and non-controlling interest		314,540	207,256
Zakat	16	(14,953)	(8,703)
<b>Income before non-controlling interest</b>		299,587	198,553
Non-controlling interest		(132,206)	(88,734)
<b>Net income for the year</b>		167,381	109,819
<b>Earnings per share (Saudi Riyals)</b>			
Income from operations	22	5.14	3.75
Net income for the year	22	2.42	1.59

The attached notes on pages 7 to 22 form an integral part of these consolidated financial statements.

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

		<u>Year ended December 31,</u>	
	Note	2014	2013
<b>Cash flows from operating activities</b>			
Net income for the year		167,381	109,819
<u>Adjustments for non-cash items</u>			
Depreciation	12	171,144	180,561
Amortization of deferred charges	11	6,247	6,247
Amortization of deferred financial charges	14	5,915	3,724
Impairment of available-for-sale investment	9	744	390
(Gain) / loss on sale of property and equipment		(172)	1
Provision of projects under study	10	-	310
Projects under study written-off	10	-	11,101
Zakat provision	16	14,953	8,703
Change in fair value of derivatives		(4,274)	(5,611)
Share in loss of a joint venture	9	10,000	-
Income from Murabaha investments		(75)	(136)
Income attributable to non-controlling interest		132,206	88,734
Employee termination benefits provision	18	5,783	5,428
<u>Changes in working capital:</u>			
Accounts receivable		2,494	(57,003)
Prepayments and other receivables		(23,429)	(19,038)
Due from related parties		(1,017)	14,866
Inventories		27,681	(29,812)
Accounts payable		(11,191)	(21,622)
Accrued and other liabilities		(13,327)	12,571
Due to related parties		(1,939)	(1,561)
Employee termination benefits paid	18	(2,001)	(2,024)
Zakat paid	16	(8,447)	(1,598)
Net cash generated from operating activities		<u>478,676</u>	<u>304,050</u>
<b>Cash flows from investing activities</b>			
Murabaha investments		15,075	(6,829)
Advance against an investment		-	(5,000)
Proceeds from sale of property and equipment		196	-
Purchase of property and equipment	12	(43,698)	(51,499)
Net cash utilized in investing activities		<u>(28,427)</u>	<u>(63,328)</u>
<b>Cash flows from financing activities</b>			
Repayment of long-term loans	14	(244,670)	(1,049,224)
Proceed from long-term loans	14	-	1,000,000
Short-term loans	13	(69,275)	22,496
Payments of deferred financial charges		-	(15,000)
Changes in non-controlling interest		1,767	12,468
Net cash utilized in financing activities		<u>(312,178)</u>	<u>(29,260)</u>
<b>Net change in cash and cash equivalents</b>		<b>138,071</b>	<b>211,462</b>
Cash and cash equivalents at beginning of the year		<u>270,681</u>	<u>59,219</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>408,752</u></u>	<u><u>270,681</u></u>
<b>Supplementary information for non-cash transactions</b>			
Provision for slow moving inventories written-off		-	(3,845)
Investment sold to a related party	9	761	-
Expenses charged by a related party	9	63	-

The attached notes on pages 7 to 22 form an integral part of these consolidated financial statements.

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

	Note	Share capital	Statutory reserve	Retained earnings	Cumulative changes in fair values of derivatives	Total shareholders' equity	Non-controlling interest	Total equity
<b>January 1, 2014</b>		692,000	23,255	53,447	(20,963)	747,739	532,751	1,280,490
Net income for the year		-	-	167,381	-	167,381	-	167,381
Net income for the year attributable to non-controlling interest		-	-	-	-	-	132,206	132,206
Transfer to statutory reserve	19	-	16,738	(16,738)	-	-	-	-
Net change during the year		-	-	-	-	-	1,767	1,767
Fair value adjustments	17	-	-	-	2,379	2,379	-	2,379
<b>December 31, 2014</b>		<b>692,000</b>	<b>39,993</b>	<b>204,090</b>	<b>(18,584)</b>	<b>917,499</b>	<b>666,724</b>	<b>1,584,223</b>
<b>January 1, 2013</b>		692,000	17,316	(50,433)	(37,763)	621,120	431,549	1,052,669
Net income for the year		-	-	109,819	-	109,819	-	109,819
Net income for the year attributable to non-controlling interest		-	-	-	-	-	88,734	88,734
Transfer to statutory reserve	19	-	5,939	(5,939)	-	-	-	-
Net change during the year		-	-	-	-	-	12,468	12,468
Fair value adjustments	17	-	-	-	16,800	16,800	-	16,800
<b>December 31, 2013</b>		<b>692,000</b>	<b>23,255</b>	<b>53,447</b>	<b>(20,963)</b>	<b>747,739</b>	<b>532,751</b>	<b>1,280,490</b>

The attached notes on pages 7 to 22 form an integral part of these consolidated financial statements.

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands 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). The Company 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) and 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 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 incorporated in Saudi Arabia and is involved in the business of manufacturing and selling Polypropylene. NATPET's Polypropylene (PP) Complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

The Company's authorized and paid capital is comprised of 69.2 million shares of Saudi Riyals 10 per share as of December 31, 2014 and 2013.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2015.

**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 investment and derivative financial instruments to fair value, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

**2.2 Critical accounting estimates and judgments**

The preparation of the 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 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. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and/or liabilities within the next financial year are discussed below:

(a) Useful economic lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the year.

(b) Provision for doubtful debts

A provision for impairment of trade receivables 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time and past recovery rates.



**ALUJAIN CORPORATION**  
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(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.3 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 and is tested annually for impairment and carried at cost, net of any accumulated amortization and 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 the Subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries over which the Company has temporary control or where they are under restructuring, are not consolidated and accounted for as associates.

b) Associates and joint ventures

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 and joint venture are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates and joint ventures' post-acquisition income or losses is recognized in the 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 ventures' are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising from investments in associates are recognized in the 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. 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. If the fair value as mentioned above is not available, the cost shall be the most appropriate, subjective and reliable alternative for the fair value of the securities. Accordingly, the Company carries unquoted securities at cost less impairment.

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

**ALUJAIN CORPORATION**  
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**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.4 Foreign currency translations**

(a) Reporting currency

The financial statements of the Group 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.

**2.5 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and any short-term highly liquid investments with maturities of three months or less from the purchase date.

**2.6 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.

**2.7 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 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 consolidated income statement.

**2.8 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.

**2.9 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.

**2.10 Deferred charges**

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

**ALUJAIN CORPORATION**  
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**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.11 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:

	<b>Number of years</b>
• Plant and equipment	10 – 20
• Buildings	20
• Computers	3 – 4
• Furniture and fixtures	5 – 10
• Leasehold improvements	3 – 10
• Motor vehicles	4
• Office equipment	5 – 10
• Laboratory and safety tools	5 – 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.

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.

**2.12 Impairment of non-financial assets**

Non-financial 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-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 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 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 consolidated income statement. Upfront fees paid on borrowings are amortized over the term of the loan.

**2.14 Accounts payable and accruals**

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

**2.15 Provisions**

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

**ALUJAIN CORPORATION**  
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**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.16 Zakat**

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

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

**2.17 Employee termination benefits**

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group 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.

**2.18 Derivative financial instruments**

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 consolidated statement of income.

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 Group 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.

The Group has designated its derivatives as cash flow hedges against its commercial banks syndication long-term loan. Cash flows hedges which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss of the effective portion of the hedging instrument 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.

**2.19 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.

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.19 Segment reporting (continued)**

(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.

**2.20 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, if any

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

**2.21 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.

**2.22 Operating leases**

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

**2.23 Reclassification**

Certain reclassifications have been made in the comparative December 31, 2013 consolidated financial statements for better presentation.

**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. 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, Murabaha investments, due from related parties, security deposit, available-for-sale investment, derivative financial instruments, short-term and long-term borrowings, due to related parties, accounts payable and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each significant item.

Financial asset and liability are 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 Euros. Management monitors such exposures on a regular basis. However, there were no significant foreign exchange contracts outstanding at December 31, 2014.

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**3 Financial instruments and risk management (continued)**

**3.2 Fair value and cash flows 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 deposits, long term loans and derivative financial instrument.

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 interval, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

**3.3 Price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to equity securities price risk because available-for-sale investment is in an unlisted company.

**3.4 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. Cash is placed with banks with sound credit ratings.

The largest receivable balance accounts for 50% of outstanding trade accounts receivable at December 31, 2014 (2013: 35%). Credit risk is managed by monitoring the customer balance and ensuring timely collection of the due balance.

**3.5 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.

**3.6 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 recorded under the historical cost convention, except for derivative financial instruments and available-for-sale investment. 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 Cash and cash equivalents**

	2014	2013
Cash in hand	438	248
Cash at banks	<u>408,314</u>	<u>270,433</u>
	<u>408,752</u>	<u>270,681</u>

**5 Accounts receivable**

	2014	2013
Trade receivables	<u>316,916</u>	<u>319,410</u>

**6 Prepayments and other receivables**

	2014	2013
Advance to suppliers	25,274	4,870
Prepayments	20,043	6,401
Margin deposits	16,545	8,420
Customs duty receivable	12,927	7,406
Employees advance	3,167	2,492
Insurance compensation receivable	-	24,938
	<u>77,956</u>	<u>54,527</u>

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**7 Related party matters**

**7.1 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.

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

<b>Related parties</b>	<b>Nature of transactions</b>	<b>2014</b>	<b>2013</b>
Board of Directors of the Company	Remunerations	999	840
Board of Directors of the Subsidiary	Remunerations	3,521	4,224
Hidada Company Limited	Expenses charged to the Group	836	11
Saudi Cable Company	Expenses charged by the Group	81	379
Saudi Cable Company	Purchase of material	504	84
Xenel Industries Company Limited	Expenses charged to the Group	5,801	6,595
Safra Company Limited	Purchase of material/expenses charged to the Group	7,115	8,080
Safra Company Limited	Investments sold by the Group (see Note 9(b))	761	-
Xeca International for Information Technology	Expenses charged to the Group	-	129
Zain Industries Company (Zain)	Advance provided /expenses charged by the Group	22	1,039
Bonar Natpet Company	Sales/expenses charged by the Group	17,077	9,219
Bonar Natpet Company	Loan from the Group	-	14,500

**7.2 Related party balances**

Significant year end balances arising from transactions with related parties are as follows:

	<b>2014</b>	<b>2013</b>
<b>Due from related parties</b>		
Bonar Natpet Company (Joint venture)	10,149	8,427
Zain Industries Company (Zain) (Associate)	6,027	6,005
Safra Company Limited (Affiliate)	436	-
Saudi Cable Company (Affiliate)	382	721
	<u>16,994</u>	<u>15,153</u>
<b>Due to related parties</b>		
Chemglobal Corporation (Affiliate)	-	1,364
Xenel Industries Company Limited (Affiliate)	1,322	1,204
Safra Company Limited (Affiliate)	-	685
Hidada Company Limited (Affiliate)	10	18
	<u>1,332</u>	<u>3,271</u>

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**8 Inventories**

	2014	2013
Finished goods	78,254	135,566
Raw materials	76,578	48,158
Work in progress	4,877	5,027
Spare parts not held for sale	125,865	124,504
	<u>285,574</u>	<u>313,255</u>
Less: provision for slow moving inventories	(70)	(70)
	<u>285,504</u>	<u>313,185</u>

Movement in provision for slow moving inventories:

	2014	2013
January 1	70	3,915
Write-off	-	(3,845)
December 31	<u>70</u>	<u>70</u>

**9 Investments**

	2014	2013
Investment in joint ventures (a)	26,937	32,000
Investment in an associate (b)	9,055	9,816
Available-for-sale investment (c)	1,478	2,222
Advance against an investment (d)	-	5,000
	<u>37,470</u>	<u>49,038</u>

(a) Investment in joint ventures

	2014	2013
Bonar Natpet Company (*)	21,937	32,000
Natpet Schulman Specialty Plastic Compounding L.L.C. (**)	5,000	-
	<u>26,937</u>	<u>32,000</u>

Movement in the investment in joint ventures is as follows:

	2014	2013
January 1	32,000	32,000
Transferred from advance against an investment (Note 9 (d))	5,000	-
Share in loss of a joint venture	(10,000)	-
Expenses charged by a related party	(63)	-
December 31	<u>26,937</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 planning to achieve fully integrated operations during 2015. 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% of the loan amount to SIDF.

(\*\*) During 2013, NATPET has signed a joint venture agreement with a world class plastic compounder entity based in the Netherlands 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 December 31, 2014, the operations have not yet commenced. The joint venture was registered with a share capital of Saudi Riyal 10 million in the first quarter of 2014. Subsequent to year end, the joint venture has increased its share capital to Saudi Riyals 106 million and the Company has paid Saudi Riyals 48 million against its share of investment in the increased capital in January 2015.



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**9 Investments (continued)**

(b) Investment in an associate

	2014	2013
January 1	9,816	9,816
Investment sold to a related party	<u>(761)</u>	-
December 31	<u>9,055</u>	<u>9,816</u>

The Company's investment in an associate represents its equity ownership in Zain Industries Company (Zain) an associated company. The Company has an ownership percentage of 49.38% as of December 31, 2014 (2013: 52.21%). Zain started commercial operations during late 2010. The Group does not have and never had other than temporary control over Zain, therefore, the Group never consolidated Zain. The share of profit/loss of the associate during the years 2014 and 2013 are insignificant to the Group.

(c) Available-for-sale investment

The movement in the available-for-sale investment for the years ended December 31 is as follows:

	2014	2013
January 1	2,222	2,612
Impairment of available-for-sale investment	<u>(744)</u>	(390)
December 31	<u>1,478</u>	<u>2,222</u>

Available-for-sale investment at December 31, 2014 and 2013, principally represents the Company's investment in a Saudi Closed Joint Stock Company. The fair value of the investments could not be determined immediately, therefore, these investments are accounted for at cost less impairment.

(d) Advance against an investment

During 2013, NATPET signed a joint venture agreement with an entity based in the Netherlands to set up a manufacturing plant in Yanbu to produce polypropylene compounds. The joint venture obtained a commercial registration during 2014 and accordingly this advance against an investment was transferred to investments in joint ventures.

**10 Projects under study**

	2014	2013
January 1	251	11,662
Provision	-	(310)
Written-off	<u>(251)</u>	(11,101)
December 31	<u>-</u>	<u>251</u>

Projects under study principally relate to the costs of new petrochemical projects at the initial stages, such as feasibility studies, market researches and other related expenses.

**11 Deferred charges**

	2014	2013
January 1	22,385	28,632
Amortization during the year	<u>(6,247)</u>	(6,247)
December 31	<u>16,138</u>	<u>22,385</u>

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**12 Property, plant and equipment**

	January 1, 2014	Additions	Disposals	December 31, 2014
<b>Cost</b>				
Plant and equipment	2,956,381	39,824	-	2,996,205
Building	34,146	-	-	34,146
Computers	19,324	1,553	(119)	20,758
Furniture and fixtures	4,327	32	-	4,359
Leasehold improvements	2,856	86	-	2,942
Motor vehicles	7,066	1,328	(1,240)	7,154
Office equipment	2,759	103	(30)	2,832
Laboratory and safety tools	16	772	-	788
<b>Total</b>	<u>3,026,875</u>	<u>43,698</u>	<u>(1,389)</u>	<u>3,069,184</u>
<b>Accumulated depreciation</b>				
Plant and equipment	536,860	166,517	-	703,377
Building	6,046	1,801	-	7,847
Computers	14,869	1,625	(117)	16,377
Furniture and fixtures	4,014	110	-	4,124
Leasehold improvements	2,284	224	-	2,508
Motor vehicles	3,394	756	(1,218)	2,932
Office equipment	2,639	73	(30)	2,682
Laboratory and safety tools	16	38	-	54
<b>Total</b>	<u>570,122</u>	<u>171,144</u>	<u>(1,365)</u>	<u>739,901</u>
<b>Net book value</b>	<u>2,456,753</u>			<u>2,329,283</u>
	<b>January 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2013</b>
<b>Cost</b>				
Plant and equipment	2,909,359	47,022	-	2,956,381
Building	34,146	-	-	34,146
Computers	18,512	820	(8)	19,324
Furniture and fixtures	4,293	34	-	4,327
Leasehold improvements	2,763	93	-	2,856
Motor vehicles	3,597	3,469	-	7,066
Office equipment	2,698	61	-	2,759
Laboratory and safety tools	16	-	-	16
<b>Total</b>	<u>2,975,384</u>	<u>51,499</u>	<u>(8)</u>	<u>3,026,875</u>
<b>Accumulated depreciation</b>				
Plant and equipment	362,542	174,318	-	536,860
Building	4,262	1,784	-	6,046
Computers	11,876	3,000	(7)	14,869
Furniture and fixtures	3,592	422	-	4,014
Leasehold improvements	2,048	236	-	2,284
Motor vehicles	2,744	650	-	3,394
Office equipment	2,492	147	-	2,639
Laboratory and safety tools	12	4	-	16
<b>Total</b>	<u>389,568</u>	<u>180,561</u>	<u>(7)</u>	<u>570,122</u>
<b>Net book value</b>	<u>2,585,816</u>			<u>2,456,753</u>

The Group's plant and equipment are mortgaged with the Saudi Industrial Development Fund (SIDF) and a second charge by other commercial banks as security against the term loan received from them.

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**13 Short-term loans**

	2014	2013
Commercial bank (a)	-	67,500
Saudi Fund for Development (b)	<u>73,221</u>	<u>74,996</u>
	<u><u>73,221</u></u>	<u><u>142,496</u></u>

- (a) NATPET has signed an agreement with a commercial bank in March 2013 for financing of receivables amounting to Saudi Riyals 75 million and working capital facility amounting to Saudi Riyals 30 million.
- (b) NATPET has signed an agreement with the Saudi Fund for Development in August 2012 for export finance facility of Saudi Riyals 75 million. The facility is available for a period of three years from the date of signing.

**14 Long-term loans**

NATPET has signed loan agreements certain financial institutions in order to finance the construction of its plant. The loan balance is comprised of the following as of December 31:

	2014	2013
Commercial banks' syndication (a)	854,820	944,490
Public Investment Fund loan (b)	450,000	525,000
SIDF loan (c)	120,000	200,000
Others	<u>21,645</u>	<u>21,645</u>
	1,446,465	1,691,135
Less: Deferred financial charges (d)	<u>(16,075)</u>	<u>(21,990)</u>
	1,430,390	1,669,145
Less: Current portion of long-term loans	<u>(231,860)</u>	<u>(244,670)</u>
Non-current portion of long term loans	<u><u>1,198,530</u></u>	<u><u>1,424,475</u></u>

- (a) In July 2013 NATPET 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 that was outstanding then. The loan carries borrowing cost at commercial rates. This facility is secured through second charge on NATPET plant and machinery. NATPET has entered into a concurrent interest rate swap contract with local commercial banks to hedge the variable interest rate cash flows on the commercial banks' syndication loan (see note 17).
- (b) NATPET 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) NATPET 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 upfront fees amounting to Saudi Riyals 30 million, which was recorded as deferred financial charges net of borrowing. The balance of Saudi Riyals 4.4 million as at December 31, 2014 (2013: Saudi Riyals 7.6 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.
- (d) The movement of deferred financial charges is as follows:

	2014	2013
January 1	21,990	10,714
Addition	-	15,000
Amortization during the year	<u>(5,915)</u>	<u>(3,724)</u>
December 31	<u><u>16,075</u></u>	<u><u>21,990</u></u>

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**14 Long-term loans (continued)**

**14.1 Currency denomination**

The carrying values of the long-term loans are denominated in following currencies:

	2014	2013
Saudi Riyals	974,820	1,144,490
US dollar	471,645	546,645
	<u>1,446,465</u>	<u>1,691,135</u>

**14.2 Maturity profile of long-term loans**

Years ending December 31:	2014	2013
2014	-	244,670
2015	231,860	231,860
2016	260,180	260,180
2017	235,125	235,125
2018	275,690	275,690
2019	215,565	215,565
2020	155,045	155,045
2021	73,000	73,000
	<u>1,446,465</u>	<u>1,691,135</u>

**15 Accrued and other liabilities**

	2014	2013
Accrued expenses	107,261	85,365
Accrued purchases	71,589	111,402
Advances from customers	7,914	3,277
Other liabilities	13,320	13,367
	<u>200,084</u>	<u>213,411</u>

**16 Zakat matters**

Zakat computation for the years ended December 31, was based on the standalone financial statements for the Company and its Subsidiary.

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

	2014	2013
January 1	15,588	8,483
Provided during the year	14,953	8,703
Paid during the year	(8,447)	(1,598)
December 31	<u>22,094</u>	<u>15,588</u>

(b) Zakat status

**Alujain Corporation**

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 2007. The DZIT issued its assessment for the said years and claimed additional Zakat differences of Saudi Riyals 5.4 million. The Company objected against the said assessments, which are still under review by the DZIT to-date.

The Company filed its Zakat returns for the years ended December 31, 2008 to 2010. The DZIT issued the final assessments for the said years and claimed additional Zakat differences of Saudi Riyals 16.87 million. The Company objected against the said assessments, which are still under review by the DZIT to-date.

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**16 Zakat matters (continued)**

The Company filed its Zakat return for the years ended December 31, 2011 and 2012 and obtained the restricted Zakat certificate. The DZIT issued the preliminary Zakat assessment for the said year and claimed additional Zakat differences of Saudi Riyals 6.7 million. The Company objected against the said assessments, which are still under review by the DZIT to-date. Assessment for the year 2013 is currently under review with the DZIT.

**NATPET**

The Department of Zakat and Income Tax ("DZIT") raised assessments for the period/ years ended 31 December 1999 to 2005 with additional zakat, withholding tax ("WHT") and delay fine liability of Saudi Riyals 8.6 million. NATPET filed an appeal against the assessments with the Preliminary Objection Committee ("POC"). The POC issued its decision whereby the assessed liability was reduced to Saudi Riyals 7.4 million.

NATPET filed an appeal against the POC's decision with the Higher Appeal Committee ("HAC") and submitted a bank guarantee of Saudi Riyals 7.4 million. The HAC issued its decision whereby the additional liability was reduced to Saudi Riyals 7 million. Subsequently NATPET filed a petition with the Board of Grievances ("BOG") against the HAC's decision. The BOG issued its ruling, which supported the HAC point of view. NATPET filed a plea against the said BOG decision at the Royal Court. The Royal Court issued its decision, by which the case was referred back to the BOG to restudy the NATPET's petition.

The DZIT raised assessments for the years ended 31 December 2006 to 2008 with additional zakat and WHT liability of Saudi Riyals 12 million. NATPET filed an appeal against the DZIT's assessments with the POC and also settled the additional WHT and delay fine liability of Saudi Riyals 9 million "under protest". The POC issued its decision whereby the additional zakat liability was reduced by Saudi Riyals 112 thousand. NATPET filed an appeal against the POC's decision with the Higher Appeal Committee (HAC) and submitted a bank guarantee of Saudi Riyals 112 thousand. HAC is currently reviewing the NATPET's appeal.

Zakat returns for the years ended 31 December 2009 to 2012 were filed and the restricted Zakat certificate for the year 2012 was obtained. The DZIT issued a preliminary assessment for the year ended December 31, 2012, and claimed additional Zakat differences of Saudi Riyals 800 thousand. NATPET objected against the said assessment, which is still under review by the DZIT.

NATPET filed its Zakat return for the year ended December 31, 2013, and obtained the unrestricted Zakat certificate for the year ended December 31, 2013. The DZIT did not issue the final assessment for the said year till to date.

**17 Derivative financial instruments**

In prior years, NATPET entered into an interest rate swap (the "Swap Contract"), with local commercial banks to hedge future adverse fluctuation in interest rates on its long term borrowings. The Subsidiary designated the Swap Contracts, at its outset, as a cash flow hedge.

The notional amount of the Swap Contracts at December 31, 2014 is Saudi Riyals 746 million (2013: Saudi Riyals 816 million). The Swap Contract is intended to effectively convert the interest rate cash flow on the long term loans from a floating rate to a fixed rate, during the entire tenor of the loan agreements.

At December 31, 2014, the Swap Contracts had a negative fair value of Saudi Riyals 36.6 million (2013: Saudi Riyals 45.1 million), based on the valuation determined by a model and confirmed by NATPET's bankers. Such negative fair value is included in non-current liabilities in the balance sheet with a corresponding debit to the changes in fair value of derivatives in the equity accounts. NATPET charged an amount of Saudi Riyals 4.3 million as a gain (2013: Saudi Riyals 5.6 million) to the income statement, being the ineffective portion of the interest rate swap.

**18 Employee termination benefits**

	2014	2013
January 1	19,196	15,792
Addition	5,783	5,428
Payments	<u>(2,001)</u>	<u>(2,024)</u>
December 31	<u>22,978</u>	<u>19,196</u>

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**19 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. During the year ended December 31, 2014, the Group transferred Saudi Riyals 16.7 million to statutory reserve which equals 10% of the net income for the year. During 2013 the Group transferred Saudi Riyals 5.9 million to statutory reserve which equals 10% of the net income for the year after absorbing the accumulated deficit. This reserve is not available for distribution to the shareholders of the Group.

**20 Selling and distribution expenses**

	2014	2013
Salaries and wages	9,845	8,273
Public relation and publicity	1,737	7,245
Warehouse management	6,889	6,543
Travel and accommodation	1,024	1,503
Legal and professional fees	100	395
Utilities and services	283	321
Subscriptions and office supplies	120	172
Depreciation	41	69
Engineering and technical assistance	9	11
Other expenses	1,725	1,562
	<u>21,773</u>	<u>26,094</u>

**21 General and administrative expenses**

	2014	2013
Salaries and wages	33,914	29,188
Legal and professional fees	2,358	5,539
Directors' compensation	4,520	5,064
Public relation and publicity	2,766	3,576
Depreciation	1,934	3,274
Information technology	2,487	2,866
Travel and accommodation	2,417	2,364
Rent	1,578	1,689
Utilities and services	1,359	1,175
Engineering and technical assistance	486	766
Subscriptions and office supplies	836	518
Meetings, seminars and conferences	345	357
Repairs and maintenance	385	272
Other expenses	1,006	1,424
	<u>56,391</u>	<u>58,072</u>

**22 Earnings per share**

Earnings per share for the years ended December 31, 2014 and 2013 have been computed by dividing the operating income and net income for each years by the weighted average number of shares outstanding during such years.

**23 Insurance compensation**

NATPET agreed with the insurance company a settlement amounting to Saudi Riyals 91.88 million with regards to its claim for the breakdown which occurred in its plant in 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.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

**23 Insurance compensation (continued)**

During the year ended December 31, 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 2011. These funds were fully received from insurance company during 2013.

**24 Segment information**

The Group conducts its business in Saudi Arabia and principally produces polypropylene for various industrial use. Accordingly, business or geographical segment information is not currently applicable.

**25 Operating leases**

The Group has various operating leases for its land on which NATPET's plant has been built, offices and warehouses. Rental expenses for the year ended December 31, 2014 amounted to Saudi Riyals 4.5 million (2013: Saudi Riyals 2.8 million). Future rental commitments at December 31, 2014 under these operating leases are as follows:

**Years ending December 31:**

	<b>2014</b>	2013
2014	-	1,124
2015	<b>2,589</b>	645
2016	<b>707</b>	559
After 2016	<b>13,034</b>	13,984
	<b><u>16,330</u></b>	<b><u>16,312</u></b>

**26 Contingencies**

As at December 31, 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).

During the year 2014, the Group has submitted a bank guarantee amounting to Saudi Riyals 21.7 million (2013: Nil) against its appeal to DZIT assessment on which a margin deposit of Saudi Riyals 8.2 million (2013: Nil) was paid. See Note 16 for details.

The Group has also given a guarantee to SIDF for loan to one of its joint venture (see note 9).