

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2013
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

January 19, 2014

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

Scope of Review

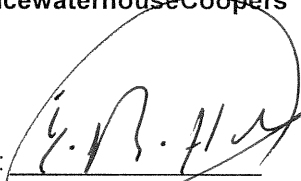
We have reviewed the accompanying interim consolidated balance sheet of Alujain Corporation (the "Company") and its subsidiary (collectively referred to as the "Group") as of December 31, 2013 and the interim consolidated income statement for the three-month period and year ended December 31, 2013 and the interim consolidated statements of cash flows and changes in shareholders' equity for the year then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

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

Review Conclusion

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

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

	Note	As at December 31,	
		2013 (Unaudited)	2012 (Audited)
Assets			
Current assets			
Cash and cash equivalents		270,692	59,219
Investments in Murabaha Funds		15,000	8,035
Accounts receivable		319,410	262,407
Prepayments and other receivables		29,551	35,489
Due from related parties		15,334	30,019
Inventories, net		<u>313,185</u>	<u>283,373</u>
		<u>963,172</u>	<u>678,542</u>
Non-current assets			
Investments, net	1,3	44,038	44,428
Projects under study, net	4	561	11,662
Advance against investment	5	5,000	-
Intangible assets, net	6	44,375	39,346
Property, plant and equipment, net		<u>2,481,691</u>	<u>2,585,816</u>
		<u>2,575,665</u>	<u>2,681,252</u>
Total assets		<u><u>3,538,837</u></u>	<u><u>3,359,794</u></u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loan		142,496	120,000
Current portion of long-term loans	8	244,670	140,000
Accounts payable		127,721	136,875
Accruals and other liabilities		213,373	200,840
Due to related parties		3,457	4,832
Zakat provision		<u>15,898</u>	<u>8,483</u>
		<u>747,615</u>	<u>611,030</u>
Non-current liabilities			
Long-term loans	8	1,446,465	1,600,359
Change in fair value of derivatives		45,065	79,944
Employees' termination benefits		<u>19,196</u>	<u>15,792</u>
		<u>1,510,726</u>	<u>1,696,095</u>
Total liabilities		<u><u>2,258,341</u></u>	<u><u>2,307,125</u></u>
Shareholders' equity			
Equity attributable to shareholders of the parent company:			
Share capital	9	692,000	692,000
Statutory reserve	10	23,255	17,316
Cumulative changes in fair values of derivatives		(20,963)	(37,763)
Retained earnings (accumulated deficit)		<u>53,453</u>	<u>(50,433)</u>
Total shareholders' equity in the parent company		<u>747,745</u>	<u>621,120</u>
Non-controlling interest		<u>532,751</u>	<u>431,549</u>
Total shareholders' equity		<u><u>1,280,496</u></u>	<u><u>1,052,669</u></u>
Total liabilities and shareholders' equity		<u><u>3,538,837</u></u>	<u><u>3,359,794</u></u>

The accompanying notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

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

	Note	Three-month period ended December 31,		Beginning of the year to December 31,	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Audited)
Sales		586,852	537,054	1,876,203	2,111,941
Cost of sales		(475,393)	(450,381)	(1,532,349)	(1,819,521)
Gross profit		111,459	86,673	343,854	292,420
Operating expenses					
Selling and distributions expenses		(9,838)	(5,754)	(26,094)	(23,710)
General and administrative expenses		(16,427)	(16,040)	(58,066)	(53,696)
Income from operations		85,194	64,879	259,694	215,014
Other income (expenses)					
Net insurance compensation	7	-	-	50,229	-
Financial charges	8	(18,108)	(25,635)	(79,977)	(100,163)
Foreign currency exchange gain (loss)		612	1,351	(645)	(2,828)
Projects development cost		(1,557)	(2,189)	(6,366)	(2,189)
Change in fair value of derivatives financial instruments	2.19	769	(41)	5,611	5,740
Amortization of intangible assets		(2,927)	(2,348)	(9,971)	(9,392)
Other income		192	325	488	862
Provision for advance against investments		-	(1,040)	-	(1,040)
Provision of projects under study/write-off	4	-	(5,600)	(11,101)	(5,600)
Provision against available for sale investments		(32)	-	(390)	(753)
Income before zakat and non-controlling interest		64,143	29,702	207,572	99,651
(Zakat) / Zakat adjustments		(3,583)	1,642	(9,013)	(1,564)
Income before non-controlling interest		60,560	31,344	198,559	98,087
Non-controlling interest		(26,738)	(14,225)	(88,734)	(46,409)
Net income for the period / year		33,822	17,119	109,825	51,678
Earnings per share:					
Income from operation	11	1.23	0.94	3.75	3.11
Net income	11	0.49	0.25	1.59	0.75

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

	<u>Year ended December 31,</u>	
	2013 (Unaudited)	2012 (Audited)
Cash flow from operating activities		
Net income for the year	109,825	51,678
<u>Adjustments for non-cash items</u>		
Depreciation	180,561	176,920
Amortization of intangible assets	9,971	9,392
Provision of projects under study / write off	11,101	5,600
Provision against available for sale investments	390	753
Provision for advance against investments written-off	-	1,040
Zakat provision	9,013	1,564
Change in fair value of derivative financial instruments	(5,611)	(5,740)
Income from investments in Murabaha Funds	(136)	(50)
Non-controlling interest	88,734	46,409
Employees' termination benefits provision	3,404	4,828
Financial charges	79,977	100,163
<u>Changes in working capital:</u>		
Accounts receivable	(57,003)	(165,018)
Prepayments and other receivables	5,938	(2,687)
Due from related parties	14,685	(25,194)
Inventories	(29,812)	14,632
Accounts payable	(21,622)	(43,126)
Accruals and other liabilities	12,533	19,294
Due to related parties	(1,375)	(4,213)
Employees' termination benefit paid	-	(1,679)
Zakat paid	(1,598)	(1,622)
Net cash generated from operating activities	<u>408,975</u>	<u>182,944</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(76,436)	(46,948)
Movement of short-term investments in Murabaha Funds	(6,829)	(4,472)
Advance against investments	(5,000)	-
Investment in joint venture	-	(21,394)
Security deposit	-	31,529
Projects under study	-	(5,676)
Net cash utilized in investing activities	<u>(88,265)</u>	<u>(46,961)</u>
Cash flow from financing activities		
Long-term loans	(49,224)	(191,984)
Short-term loan	22,496	120,000
Change in non-controlling interests	12,468	9,081
Intangible assets	(15,000)	-
Financial charges paid	(79,977)	(100,163)
Net cash utilized in financing activities	<u>(109,237)</u>	<u>(163,066)</u>
Net change in cash and cash equivalents	211,473	(27,083)
Cash and cash equivalents - beginning of the year	<u>59,219</u>	<u>86,302</u>
Cash and cash equivalents - end of the year	<u><u>270,692</u></u>	<u><u>59,219</u></u>

The accompanying notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

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

	<u>Year ended December 31,</u>	
	2013 (Unaudited)	2012 (Audited)
SHAREHOLDERS' EQUITY		
Equity attributable to shareholders of the parent company:		
Share Capital	<u>692,000</u>	<u>692,000</u>
Statutory reserve		
Beginning balance	17,316	17,316
Transfer from retained earnings	<u>5,939</u>	<u>-</u>
Ending balance	<u>23,255</u>	<u>17,316</u>
Cumulative changes in fair values of derivatives		
Beginning balance	(37,763)	(49,997)
Fair value adjustments	<u>16,800</u>	<u>12,234</u>
Ending balance	<u>(20,963)</u>	<u>(37,763)</u>
Retained earnings (accumulated deficit)		
Beginning balance	(50,433)	(102,111)
Income for the period	109,825	51,678
Transfer to statutory reserve	<u>(5,939)</u>	<u>-</u>
Ending balance	<u>53,453</u>	<u>(50,433)</u>
Total shareholders' equity in the parent company	<u>747,745</u>	<u>621,120</u>
Non-controlling interests		
Beginning balance	431,549	376,059
Net income for the period attributable to non-controlling interests	88,734	46,409
Net movements	<u>12,468</u>	<u>9,081</u>
Ending balance	<u>532,751</u>	<u>431,549</u>
Total shareholders' equity	<u>1,280,496</u>	<u>1,052,669</u>

The accompanying notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month period and year ended December 31, 2013 (Unaudited)
(All amounts in Thousand Saudi Riyals unless otherwise stated)

1 General information

Alujain Corporation (the "Company") and its subsidiary (collectively the "Group") consist of the Company and its subsidiary National Petrochemical Industrial Company (NATPET) and is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated Jamad Thani 15, 1412H (corresponding to December 21, 1991). The Company obtained its Commercial Registration on Rajab 3, 1412H (corresponding to January 7, 1992).

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

The accompanying interim consolidated financial statements include the accounts of the Company and its subsidiary, (NATPET) in which the Company owns 57.4 % ownership interest (2011: 57.4%). NATPET is in the business of manufacturing and selling Polypropylene. NATPET's Polypropylene (PP) Complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

During the first quarter ended March 31, 2013, the Group announced that, in line with the normal industrial practice, its subsidiary's National Petrochemical Industrial Co. (NATPET) Propylene and Polypropylene Complex in Yanbu Industrial City is shut down for a period of approximately 22 days starting January 27, 2013 for turnaround procedures and for implementing the production and equipment enhancement. Due to certain unforeseen mechanical maintenance requirements, the shutdown was extended for another period of 17 days in order to complete the maintenance.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and derivative financial instruments to fair value, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Period of the financial statements

The interim financial statements for the year ended December 31, 2013 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the company's audited financial statements for the year ended December 31, 2012.

2.3 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which, by definition, seldom equal the related actual results.

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(A Saudi Joint Stock Company)
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2 Summary of significant accounting policies (continued)

2.4 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Also, subsidiaries are not consolidated if the control is temporary, such subsidiaries are accounted for using the equity method of accounting.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill 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 subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint venture

Associates are entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates and joint venture are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates and joint venture post-acquisition income or losses is recognized in the interim consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the associates and joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the interim consolidated income statement

(c) Short-term investments in Murabaha funds

Short-term investments in Murabaha funds are carried at fair value and included under current assets. Changes in fair values are included in the interim consolidated income statement.

(d) Available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments including investments in mutual funds. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the interim consolidated financial statements date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (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

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2 Summary of significant accounting policies (continued)

2.4 Investments (continued)

- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows.

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

2.5 Foreign currency translations

- (a) Reporting currency

The interim consolidated financial statements of the Group are presented in Saudi Riyals which is the reporting currency of the Group.

- (b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim consolidated income statement.

2.6 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the interim consolidated income statement and reported under "General and administrative expenses". When accounts receivable are uncollectible, they are written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited in the interim consolidated income statement.

2.7 Cash and cash equivalents

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

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Depreciation is charged to the 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:

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the interim consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the interim consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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(A Saudi Joint Stock Company)
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(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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.

2.9 Deferred charges

Costs that are not of benefit beyond the current period are charged to the interim consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the accompanying interim consolidated balance sheet, include certain indirect construction costs which are amortized over periods which do not exceed seven years. Deferred charges also include front-end fee paid on a loan from Saudi Industrial Development Fund ("SIDF"). Such charges are amortized over the term of the loan.

2.10 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.

2.11 Impairment of non-current assets

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

2.12 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.

2.13 Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the interim consolidated income statement.

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.

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(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

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.

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 interim consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

2.17 Operating leases

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

2.18 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the interim consolidated income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative periods of service, as stated in the laws of Saudi Arabia.

2.19 Derivative financial instruments and hedging

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the interim consolidated income statement.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the interim consolidated income statement.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects 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.

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(A Saudi Joint Stock Company)
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(All amounts in Thousand Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.19 Derivative financial instruments and hedging (continued)

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.

2.20 Segment reporting

(a) Business segment

A business segment is a group of assets and operations:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

(b) Geographical segment

A geographical segment is a group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.21 Revenue recognition

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

Revenue from sale made through the off-taker and marketer are recognized upon delivery and are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the off-taker and marketer from third parties net off actual selling and distribution costs incurred by the marketers as the marketing fee to cover all other marketing expenses. Adjustments are made, as they became known to the Group.

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

2.22 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.

3 Investments, net

	2013	2012
Investment in joint venture (*)	32,000	32,000
Investment in an associate, net (**)	9,816	9,816
Available for sale investments, net	<u>2,222</u>	<u>2,612</u>
	<u><u>44,038</u></u>	<u><u>44,428</u></u>

(*) The subsidiary has signed a Joint Venture agreement with an entity based in the Netherland to set up a manufacturing plant in Yanbu to produce staple fiber and non-woven textiles. The subsidiary owns a 50% stake in the Joint Venture. The joint venture obtained its commercial registration in October 2012 and is expected to commence commercial operation during the first quarter in 2014. The joint venture has signed a loan agreement with SIDF during December 31, 2013 amounting to Saudi Riyals 76.6 million in order to finance the construction of its project. The Subsidiary has provided corporate guarantee of 50% to SIDF for loan.

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3 Investments (continued)

(**) The Company's investment in an associate represents its equity ownership in Zain Industries Company (Zain) (formerly Arab Pesticides Industries Company Limited (MOBEED)), an associated company. During 2008, Alujain acquired additional shares that increased its ownership from 25% to 93.08% and during 2009 it sold half of its ownership (46.54%) to a related party. The Company acquired further shares during 2010, increasing its ownership to 52.21% as of December 31, 2010 and up to December 31, 2013. Zain started commercial operations during late 2010 and is currently under a restructuring and stabilising period. The Company intends to share control with its related party subsequent to the stabilisation of operations in Zain. Since, Zain is currently under a restructuring phase and the control is temporary, the Company did not consolidate its investment in Zain.

4 Projects under study, net

	2013	2012
January 1	11,662	11,586
Additions	-	5,676
Provision / write off	<u>(11,101)</u>	<u>(5,600)</u>
December 31	<u>561</u>	<u>11,662</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.

5 Advances against Investment

The Subsidiary Company has signed a Joint Venture agreement with an entity based in the Netherland to set up a manufacturing plant in Yanbu to produce polypropylene compounds. The Company will own a 50% stake in the Joint Venture. The legal formalities for forming and registering the Joint Venture in Saudi Arabia and issue the Commercial Registration have been finalized during subsequent period.

6 Intangible assets, net

	2013	2012
Deferred financial charges, net of amortization	21,990	10,713
Other deferred charges, net of amortization	<u>22,385</u>	<u>28,633</u>
	<u>44,375</u>	<u>39,346</u>

Deferred charges principally relate to front end fees paid to the SIDF and are being amortized over the period of the loan.

Other deferred charges principally relate to certain indirect construction costs incurred by the subsidiary during the setting up of the plant.

7 Insurance compensation

During the third quarter of 2013, the subsidiary company received insurance settlement of Saudi Riyals 75 million against its claim for PDH plant crash shutdown which had taken place in the third quarter of 2011 resulting from machinery damage in the plant. The compensation comprises of Saudi Riyals 24.77 million pertaining to capital repairs Saudi Riyals 50.23 million to compensate for the resulted loss from the stoppage of production until final repairs were carried out in 2013.

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8 Long-term loans

The subsidiary (NATPET) has signed loan agreements with a syndication of commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF) in order to finance the construction of its project. The loan balance is comprised of the following as of December 31:

	2013	2012
Islamic Bridge / Commercial Banks' syndication	944,490	853,714
Public Investment Fund loan	525,000	600,000
SIDF Loan	200,000	265,000
Others	<u>21,645</u>	<u>21,645</u>
	<u>1,691,135</u>	<u>1,740,359</u>
Less: Current portion of long-term loans	<u>(244,670)</u>	<u>(140,000)</u>
Non-current portion of long-term loans	<u><u>1,446,465</u></u>	<u><u>1,600,359</u></u>

- On September 26, 2012 the subsidiary company signed an Islamic Bridge Facility Agreement for Saudi Riyals 974 million with Banque Saudi Fransi and SAMBA Financial Group. The proceeds of this Facility were used to fully repay the remaining balance of Saudi Riyals 854 million of its term loans with Commercial Banks and use Saudi Riyals 120 million for working capital needs and equity investments (short-term loan in the accompanying balance sheet).

On July 25, 2013 the subsidiary company has signed an Islamic Facility Agreement of Saudi Riyals 1 billion with a Syndication of Commercial Banks. The proceeds of these Facilities were used to fully repay the Islamic Bridge Facility loan of Saudi Riyals 974 million. The loan carries borrowing cost at commercial rates.

- The subsidiary company has signed an agreement with the Saudi Fund for Development on August 10, 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.
- The subsidiary company has signed an agreement with Arab Banking Corporation-Bahrain on March 2013 for financing of receivables amounting to Saudi Riyals 75 million and working capital facility amounting to Saudi Riyals 30 million.

9 Share capital

The share capital of the Company as of December 31, 2013 was comprised of 69,200,000 shares at Saudi Riyals 10 per share.

10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 50% of its share capital. During the twelve-month period ended December 31, 2013, the Company transferred Saudi Riyals 5.9 million to statutory reserve. This reserve is not currently available for distribution to the shareholders.

11 Earnings per share

Earnings per share for the period / year ended December 31, 2013 have been computed by dividing the operating income and net income for such periods by the number of shares outstanding during the period / year.

12 Segment information

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