

**NAMA CHEMICALS COMPANY AND
SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2015**

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2015**

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AUDITOR'S REPORT

To the stockholders
NAMA Chemicals Company
Al-Jubail, Kingdom of Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of NAMA Chemicals Company ("the Company"), (a Saudi Joint Stock Company) and subsidiaries as of December 31, 2015 and the related consolidated statements of income, cash flows, and stockholders' equity for the year then ended, and notes 1 to 24 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company'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 generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Basis of qualification

The Group has been incurring gross losses in 2014 and 2015. These results are indicative of impairment in property, plant and equipment. As clarified in note 9(iv), the Group is conducting an impairment review to determine the extent of impairment across assets, if any, which was not concluded on the date the financial statements, were authorized for issue. At present the amount of impairment, has not been quantified and no adjustment has been made in these financial statements.

Qualified Opinion

In our opinion, with the exception of the effect of the matter described in the preceding paragraph on the value of assets and the net income for the year, the consolidated financial statements as a whole:

- present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2015 and the results of their operations and cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia, and
- comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



February 21, 2016-G
Jumada 'I, 12, 1437-H

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2015

	Notes	2015 SR 000	2014 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	119,225	169,071
Time deposits	4	81,250	156,900
Accounts receivables		99,116	152,057
Inventories	5	77,810	73,012
Advances, prepayments and other receivables		13,960	15,300
Total current assets		391,361	566,340
Non-current assets			
Time deposits	4	78,900	-
Available for sale investments	6	83,759	163,952
Other non-current assets	7	8,185	8,877
Cost of projects under development	8	163,456	88,338
Property, plant and equipment	9	1,649,763	1,740,555
Intangible assets	10	31,912	38,995
Total non-current assets		2,015,975	2,040,717
TOTAL ASSETS		2,407,336	2,607,057
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings	11	72,059	78,582
Current portion of long term debts	12	283,579	120,979
Accounts payable		63,488	85,104
Interest rate swap	18	849	2,977
Accrued expenses and other payables		77,591	101,929
Total current liabilities		497,566	389,571
Non-current liabilities			
Long-term debts	12	777,600	958,600
End-of-service indemnities	13	35,860	31,637
Total non-current liabilities		813,460	990,237
Stockholders' equity			
Share capital	1	1,285,200	1,285,200
Statutory reserve	14	-	-
Revaluation surplus		45,084	101,452
Foreign currency translation adjustments		(664)	(603)
Accumulated losses		(233,310)	(158,800)
Total stockholders' equity		1,096,310	1,227,249
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,407,336	2,607,057

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2015

	Notes	2015 SR 000	2014 SR 000
Sales	20	459,670	675,389
Cost of sales		(484,619)	(691,988)
Gross loss		(24,949)	(16,599)
Selling and marketing expenses	16	(37,192)	(55,838)
General and administrative expenses	17	(30,757)	(29,967)
Loss from operations		(92,898)	(102,404)
Financial charges	11,12	(30,099)	(35,454)
Change in interest rate swap position	18	2,128	3,342
Investment income, net		31,517	8,219
Other income, net		20,464	20,320
Net loss before zakat		(68,888)	(105,977)
Zakat	15	(5,622)	(6,500)
NET LOSS		(74,510)	(112,477)
(Loss) earnings per share	22		
Loss per share from net loss (in SR)		(0.58)	(0.87)
Loss per share from continuing main operations (in SR)		(1.00)	(1.12)
Earnings per share from other operations (in SR)		0.42	0.25
Weighted average number of shares	1	128,520,000	128,520,000

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Notes	2015 SR 000	2014 SR 000
OPERATING ACTIVITIES			
Net loss before zakat		(68,888)	(105,977)
Adjustments for:			
Depreciation	9	98,722	97,133
Amortization	10	7,083	7,274
End-of-service indemnities provision	13	7,349	7,653
Loss on disposal of fixed assets		430	-
Surplus realized on sale of available for sale investments		(25,163)	-
Change in interest rate swap position	18	(2,128)	(3,342)
Changes in operating assets and liabilities:			
Accounts receivables		52,941	13,449
Inventories		(10,518)	65,215
Advances, prepayments and other receivables		1,340	(4,356)
Accounts payable, accrued expenses and other payables		(45,172)	(15,478)
Cash from operations		15,996	61,571
End-of-service indemnities paid	13	(3,126)	(2,430)
Zakat paid	15	(6,404)	(4,424)
Net cash from operating activities		6,466	54,717
INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(2,640)	(5,086)
Additions to cost of projects under development		(75,118)	(69,417)
Changes in other non-current assets		692	511
Change in time deposits		(3,250)	(64,000)
Proceeds from sale of available for sale investments		48,988	-
Net cash used in investing activities		(31,328)	(137,992)
FINANCING ACTIVITIES			
Change in short term borrowings		(6,523)	15,662
Drawdown of long term debts		5,000	60,000
Repayment of long term debts		(23,400)	(128,911)
Net cash used in financing activities		(24,923)	(53,249)
Net change in cash and cash equivalents		(49,785)	(136,524)
Foreign currency exchange differences on foreign operations		(61)	(173)
Cash and cash equivalents, January 1		169,071	305,768
CASH AND CASH EQUIVALENTS, DECEMBER 31	3	119,225	169,071
Non-cash transactions:			
Capital spares transferred to PPE		5,720	-
Capital work-in-progress transferred to deferred expenses/capital spares		-	14,872

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital SR 000	Revaluation surplus SR 000	Foreign currency translation adjustments SR 000	Accumulate d losses SR 000	Total SR 000
January 1, 2014	1,285,200	150,750	(430)	(46,323)	1,389,197
Net loss for 2014	-	-	-	(112,477)	(112,477)
Unrealized (loss) on investments	-	(49,298)	-	-	(49,298)
Foreign currency translation adjustments	-	-	(173)	-	(173)
December 31, 2014	1,285,200	101,452	(603)	(158,800)	1,227,249
Net loss for 2015	-	-	-	(74,510)	(74,510)
Unrealized loss on investments	-	(31,205)	-	-	(31,205)
Realized gain on sale of investments	-	(25,163)	-	-	(25,163)
Foreign currency translation adjustments	-	-	(61)	-	(61)
December 31, 2015	1,285,200	45,084	(664)	(233,310)	1,096,310

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statement

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

1 ORGANIZATION AND ACTIVITIES

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration number 2055007420. The share capital of the Company amounts to SR 1,285.2 million divided into 128.52 million shares of SR 10 each.

The subsidiaries of NAMA are as follows:

Al-Jubail Chemical Industries Co. ("JANA"), a limited liability company, is owned 95% by NAMA and 5% by NAMA Industrial Investment Company, a subsidiary of NAMA. On February 25, 2012 the Board of Directors of NAMA resolved to increase the share capital of JANA by SR 109 million from SR 666 million to SR 775 million by way of transfer of loans payable to NAMA to share capital. The legal formalities associated with the increase in the share capital were completed during the year.

Arabian Alkali Company ("SODA"), a limited liability company, is owned 90% by NAMA and remaining 10% by JANA.

NAMA Industrial Investment Company, a limited liability company, is owned 95% by NAMA and 5% by SODA.

NAMA Europa GMBH, a limited liability company incorporated in Switzerland, is owned 99% by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide - CH-036.4.041.685-8.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields.

The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group are transferred to the separate company when it is established.

During 2014, a fire broke out in the plant of SODA of the company, due to which the production had to be shut down. The production was restarted subsequent to the year end. The loss of SR. 8.2 million has been recognized in the previous year's financial statements as a result of this fire, for which a claim has been lodged with the insurance company. Partial payment of SR. 5 million has been received and included in other income and further payment of SR 2.8 has been received in January and February 2016 and balance of SR 0.4 million is expected to be received soon.

The Management of the Group is planning to improve the business performance of the Group by developing new products which will assist in import substitution. In addition, the Group is planning to improve sales performance by venturing into new markets and expanding market share in existing ones.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Accounting convention

The consolidated financial statements are prepared under the historical cost convention, except for derivatives and investments in securities which are stated at fair value.

Principle of consolidation

above 50% after eliminating significant inter-company balances and transactions between the Company and its subsidiaries.

Accounting estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting standards requires the use of estimates and judgments which might affect the valuation of recorded assets, liabilities and the disclosure of contingencies in the notes to the interim consolidated financial statements at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the best information available to the management at the time of issuing the interim consolidated financial statements, the actual results might differ from those estimates.

Accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years, if the revision affects both current and future years. The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are as follows:

- estimated useful lives of and residual value of property, plant and equipment
- provision for doubtful debts
- provisions and accruals
- provision for slow moving inventories

Accounts receivable

Accounts receivable are carried at their original amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Group will be able to collect all amounts due according to the original terms of accounts receivable.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Investments

Investments in financial instruments are classified according to Group's intent with respect to these securities.

Investments in companies whose shares are not readily marketable and in which NAMA owns less than 20% of the share capital are accounted for at cost. Impairment in value is recorded in the period in which the impairment is determined and charged to the consolidated statement of operations. Dividends are recorded when received.

Investments in investment funds and marketable securities classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus included in consolidated

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

stockholders' equity. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and leasehold improvements	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10
Capital work in progress is stated at cost.	

Upon disposal, the cost and the related accumulated depreciation are derecognized and the resulting gain or loss is taken to the consolidated statement of income.

Borrowing costs

Borrowing costs directly attributable to cost of projects under development are added to the cost of the project until such time as the project is ready for its intended use. Investment income earned on temporary investments of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization.

Impairment

As of each balance sheet date, the Group reviews the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Intangible assets

Intangible assets principally represent pre-operating costs, deferred charges, front-end fee and enterprise resource planning (ERP) solution program implementation costs. The pre-operating costs and ERP solution program implementation costs are amortized on the straight-line method over 5 to 7 years from date of commencement of commercial operations of the consolidated subsidiary. The front-end fee charged by lenders of loans is amortized over the term of the loans.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Deferred charges principally represent pre-operating costs incurred, prior to commencement of commercial operations of the projects. These charges are reduced by the revenue generated by the sale of products manufactured during the commissioning stage. Deferred charges are amortized on the straight-line method over seven years from the dates of commencement of commercial operations of the projects.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the consolidated statement of income.

The Company's books of accounts are maintained in Saudi Riyals. Assets and liabilities of foreign subsidiary are translated in Saudi Riyals at the exchange rate in effect at the date of consolidated balance sheet. The components of foreign subsidiary's equity accounts, except retained earnings are translated at the exchange rates in effect at the dates of the related items originated. The elements of foreign subsidiary's statement of operations are translated using the weighted average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiary's financial statements into Saudi Riyals are reported as a separate component of equity attributable to the stockholders of the Company in the consolidated financial statements.

Provision for obligation

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated statement of income. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated statement of income.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated statement of income in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will be recognized as an adjustment to recorded carrying amount of the acquired asset or liability.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the consolidated financial statements based on the employees' length of service.

Zakat and income tax

NAMA and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is calculated and accrued for the year based on estimation. Any

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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difference between the estimate and final assessment is recorded when settled. The foreign subsidiary is subject to tax regulations in the country of incorporation.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease.

Revenue recognition

Sales are recognized upon delivery of goods to customers. Investment income, principally commissions on time deposits, is recognized on an accruals basis.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the sale and marketing of the Group's products and services. All other expenses are classified as general and administrative expenses.

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

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Group carries out its activities in the Kingdom of Saudi Arabia and abroad reporting is provided by products and geographical segment.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less. As of December 31, 2015 and 2014, cash and cash equivalents consists of the followings:

	2015	2014
	SR 000	SR 000
Cash and bank balances	80,975	136,783
Time deposits	38,250	32,288
	<u>119,225</u>	<u>169,071</u>

4 TIME DEPOSITS

Time deposits represent collateral cash deposit of 65% of the Murabaha loan amount i.e. SR 125 million and collateral cash deposit of 30% of the Tawarruq loan amount i.e. SR 263 million. These deposits carry profit at the rate of 0.70 to 0.84 % per annum.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

5 INVENTORIES

	2015	2014
	SR 000	SR 000
Raw materials	32,746	32,833
Finished products and work-in-process	28,181	22,814
Spare parts	16,883	17,365
	<u>77,810</u>	<u>73,012</u>

The spare parts inventory primarily relates to plant and machinery and accordingly, this inventory is expected to be utilized over a period exceeding one year.

6 AVAILABLE FOR SALE INVESTMENTS

	2015	2014
	SR 000	SR 000
Investment in funds	641	50,298
Investment in companies	83,118	113,654
	<u>83,759</u>	<u>163,952</u>

The investment in companies represents investments in Yansab and Ibn Rushd.

7 OTHER NON-CURRENT ASSETS

Other non-current assets primarily represent balances related to Employee Share Program ("ESP"). During 2010, the Board of Directors approved an ESP which provides a 5 year service awards to eligible employees. These employees, subject to their subscription to ESP and meeting the underlying conditions, are given an option to buy the Company's shares, at an agreed exercise price, at a future date (the "vesting date") once they become fully entitled to the shares. The entitlement to the shares will be in different stages ranging from 10% to 40% based on the vesting period.

In relation to ESP, the Company purchased its shares at Saudi Riyals 10 million in 2009 through a local financial institution under a custody arrangement and these shares are held by the local financial institution as the Company at no point will become legal owner. The value of such shares has been recorded under other non-current assets and will be repaid to the Company at the vesting date of ESP by the eligible employees. Till date, only partial shares (approximately 24% of the total shares) have been subscribed for by the employees. The shares transferred to employees or sold on behalf of them during the year are 79,380 (2014: 56,464).

8 COST OF PROJECTS UNDER DEVELOPMENT

The balance of cost of projects under development as of December 31, 2015 mainly comprised the employee housing project.

Construction related costs as of December 31, 2015 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs construction costs and borrowing costs. Borrowing cost capitalized during the period amounted to SR 4.00 million (2014: SR 2.10 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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9 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements SR 000	Plant and machinery SR 000	Vehicles SR 000	Furniture, fixtures and office equipment SR 000	Capital work- in- progress SR 000	Total SR 000
Cost						
January 1, 2015	144,403	2,020,429	4,525	13,476	29,160	2,211,993
Additions	-	1,460	-	120	1,060	2,640
Disposals	-	(8,521)	(444)	(20)	-	(8,985)
Transfers	-	6,887	-	-	(1,169)	5,718
December 31, 2015	144,403	2,020,255	4,081	13,576	29,051	2,211,366
Depreciation						
January 1, 2015	20,317	436,401	4,087	10,633	-	471,438
Charge for year	4,470	92,867	195	1,190	-	98,722
Adjustment for disposal	-	(8,166)	(371)	(20)	-	(8,557)
December 31, 2015	24,787	521,102	3,911	11,803	-	561,603
Net book value						
December 31, 2015	119,616	1,499,153	170	1,773	29,051	1,649,763
December 31, 2014	124,086	1,584,028	438	2,843	29,160	1,740,555

- (i) The Company has leased land for factory buildings and other premises from the Royal Commission for Al-Jubail and Yanbu for a period of 25 Hijra years commencing from November, 1997 and September 2005.
- (ii) Capital work in progress
Expenditure on expansion of Epoxy plant capacity from 60,000 MT to 120,000 MT amounting to SR 386.8 million was capitalized on April 01, 2014. Borrowing cost capitalized during the period amounted to SR Nil (2014: SR 1.4 million). Management of the Company believes that this capacity expansion has the ability to provide the entity with future economic benefits.
- (iii) Hassad plant
As of December 31, 2015, property, plant and equipment include costs of SR 987.1 million (2014: SR 1047.1 million) incurred by the Company on the development and construction of Hassad Plant. Hassad Plant cost includes SR 147.4 million (2014: SR 156.1 million) relating to the Calcium chloride plant and SR 63.4 million (2014: SR 67.2 million) relating to infrastructure development costs incurred for the future expansion, which were mainly capitalized in the last quarter of 2012.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

(iv) Impairment review

The Group is undergoing a review of the carrying amounts of its non-current assets to determine whether such assets have suffered an impairment loss as there are significant indications of such impairment. The review is still in progress at year end and is not expected to be completed before the issue of the annual audited financial statements. Accordingly, the results of the impairment if any, is not included in the financial statements of the Group.

10 INTANGIBLE ASSETS

	2015	2014
	SR 000	SR 000
January 1	38,995	36,506
Additions	-	9,892
	38,995	46,398
Less: amortization	(7,083)	(7,274)
Less: transferred to project under development	-	(129)
December 31	31,912	38,995

11 SHORT TERM BORROWINGS

JANA obtained bank facilities from local banks for overdrafts, short-term loans, letters of guarantee and letters of credit etc. These facilities bear interest at rate based on SIBOR plus a margin. These facilities are secured by a corporate guarantee from NAMA.

12 LONG TERM DEBTS

	2015	2014
	SR 000	SR 000
SIDF		
Murabaha loans	ii) 591,279	591,279
Tawarruq financing	iii) 206,900	225,300
	iv) 263,000	263,000
	1,061,179	1,079,579
Less: current portion	(283,579)	(120,979)
Long term loans	777,600	958,600

(i) Bank Covenants

The Group's subsidiary Al-Jubail Chemical Industries Co. ("JANA") has not complied with the covenant requirements of maintaining certain financial ratios of its loan agreements. However, the management of the Group has communicated with the respective lenders and obtained written waivers and accordingly, the management has classified loans as current and non-current in accordance with the original loan repayment schedules.

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(ii) SIDF loans

In 2007, SIDF approved a term loan of SR 37.4 million to finance the expansion project of the Epoxy plant, which was fully withdrawn. In 2008, SIDF approved additional term loan of SR 210 million to finance the subsequent expansion of the Epoxy plant out of which SR 179.32 million was disbursed till 31 December 2013.

During 2014, SIDF cancelled the undisbursed portion of the loan and revised the repayment schedule to be of 10 unequal semi-annual installments starting February 15, 2014. The due installments of SR 10 million were repaid in 2014.

The Company has submitted an application to reschedule the outstanding balance of the loan, which is under review by SIDF. As of December 31, 2015, the outstanding balance of the loan is SR 174.32 million (2014: SR 174.32 million).

In 2006, SIDF approved a term loan facility of SR 315 million to finance the Hassad project, which was fully utilized by the Company as of December 31, 2010. Repayment of the loan was in 15 unequal semi-annual installments commencing from October 4, 2009. Up to December 31, 2013, the Company had repaid SR 65 million. During the 2012, the SIDF approved additional term loan of SR 208.7 million to finance the cost overrun of Hassad project, out of which SR 166.96 million was utilized till 31 December 2013.

In 2014, SIDF cancelled the undisbursed portion of the loan and revised the repayment schedule to be of 13 unequal semi-annual installments starting August 11, 2014. The Company has submitted an application to reschedule the remaining portion of the loan including an installment due in 2014, which is under review by SIDF. As of December 31, 2015, the outstanding balance of the loan is SR 416.96 million (2014: SR 416.96 million).

SIDF loan covenants include maximum limits for capital expenditure and maintenance of certain financial ratios during the period of the loan. The loan is secured against the mortgage of the property, plant and equipment of the Company and personal and/or corporate guarantees of the Partners. The SIDF loan fees were prepaid and are being amortized as part of intangible assets over the term of respective loans.

iii) Murabaha loans

During the 2012, the Company entered into a Master Murabaha Agreement ("the Agreement") with local bank to finance the capacity expansion projects. The total facility amounting to SR 117 million is in the form of Islamic Murabaha to sell and repurchase certain commodities from the Agent in accordance with Shariah principles. The Company has fully drawn down the Murabaha facility during 2012. Repayment is in 20 equal quarterly installments of SR 5.85 million commencing from September 13, 2014. The margin is 2.75% per annum. The outstanding balance as on December 31, 2015 was SR 81.90 million (2014: SR 105.3 million).

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During the year 2013, the Company entered into Master Murabaha Agreement (“the Agreement”) with local bank to finance the construction of Employees’ Housing Project. The total facility amounting to SR 125 million is in the form of Islamic Murabaha to sell and repurchase certain commodities from the Agent in accordance with Shariah principles. The Company has drawn down the balance SR 5 million during 2015 (2014: SR 60 million). The loan is secured against cash collateral of 65% of the loan amount. The outstanding balance as on December 31, 2015 was SR 125 million (2014: SR 120 million) and is repayable in 6 semi-annual installments starting from June 2017.

iv) Tawarruq financing

In 2011, NAMA obtained another Tawarruq financing facility of SR 263 million from a local bank. The loan was fully withdrawn during 2011. The loan is repayable in five equal annual installments of SR 52.6 million commencing from June 13, 2014, with a grace period of two years. The interest rate is based on 6 months SIBOR plus a margin. The loan is secured against promissory note, corporate guarantee and collateral cash deposit of 30% of the loan amount, which will be adjusted from loan repayment installments. During 2014, the loan was rescheduled for a period of two year and now repayable in 10 semi-annual installments starting from June 2016.

The Company entered into an interest rate swap contract with a local bank to manage the exposure to volatility in interest rates for a notional amount of SR 300 million (US\$ 80 million) with no upfront premium against the murabaha loan of a subsidiary. The option fixed rate is 3.85% per annum and is exercisable effective from December 17, 2008 on a bi-annually basis, up to December 15, 2016.

13 END-OF-SERVICE INDEMNITIES

	2015	2014
	SR 000	SR 000
January 1	31,637	26,414
Provision for the year	7,349	7,653
Utilization of provision	(3,126)	(2,430)
December 31	35,860	31,637

14 STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, NAMA allocates 10% of its net income each year to form a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

The stockholders in their general assembly meeting dated April 9, 2012 resolved to use the statutory reserve to absorb the accumulated losses. Accordingly, Board of Directors in their meeting dated December 5, 2012 resolved to offset the accumulated losses of SR 273.38 million against statutory reserves.

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15 ZAKAT

The principal elements of the zakat are based on NAMA standalone financials and are as follows:

	2015 SR 000	2014 SR 000
Non-current assets	1,271,983	1,424,372
Non-current liabilities	214,864	269,524
Opening shareholders' equity	1,228,619	1,390,567
Net loss before zakat	(73,457)	(110,511)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2015 SR 000	2014 SR 000
January 1	22,336	20,260
Provision for the year	5,622	6,467
Additional provision for prior years	-	33
Payment during the year	(6,404)	(4,424)
December 31	21,554	22,336

The above provision is included within accrued expenses and other payables.

The charge for the year for zakat is as follows:

	2015 SR 000	2014 SR 000
Zakat charge based on NAMA standalone financial statements	1,053	1,966
NAMA's share of subsidiaries' zakat	4,569	4,534
Charged to consolidated statement of income	5,622	6,500

Outstanding assessments

The Group has yet to receive the final zakat assessments for the years from 2000 to 2014 as these are still under review by the DZIT, except for subsidiaries (JANA) and (SODA) for which the final zakat assessments for the years from 2003 through 2014 and from 2008 through 2014 respectively are under review by the DZIT.

Management of the Company is confident that final assessments of the Company for the above outstanding years will be favorable and will not result in significant additional liabilities to the Company.

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16 SELLING AND MARKETING EXPENSES

	2015	2014
	SR 000	SR 000
Freight and delivery expenses	26,932	41,916
Salaries, wages and benefits	4,743	5,317
Sales commissions	1,043	1,774
Others	4,474	6,831
	<u>37,192</u>	<u>55,838</u>

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	SR 000	SR 000
Salaries, wages and benefits	14,394	14,785
Amortization of intangible assets	7,083	7,274
Consultancy fees	528	560
Depreciation	2,917	3,072
Other expenses	5,835	4,276
	<u>30,757</u>	<u>29,967</u>

18 CHANGES IN CASH FLOW HEDGE POSITION

This represents the difference arising from fair value measurements of the effective portion of derivative financial instruments (interest rate swap contracts) as of balance sheet date, which is a hedging instrument against the designated hedged item, being foreign currency loans based on LIBOR rates. The hedge became ineffective starting from 2011, accordingly all fair value changes are charged to the consolidated statement of income.

19 OPERATING LEASE ARRANGEMENTS

	2015	2014
	SR 000	SR 000
Payments under operating leases recognized as an expense during the year	2,108	2,020

Operating lease payments represent rentals payable by the Group for leased land for certain factory buildings and other premises for a period of 25 years and also for leased port facilities for a period of 20 years. Rentals are fixed for the terms of the lease.

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Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2015 SR 000	2014 SR 000
Year 1	2,125	2,137
Year 2	1,491	2,125
Year 3	1,060	1,490
Year 4	924	1,060
Year 5	892	924
After five years	12,114	13,007
Net minimum lease payments	18,606	20,743

20 SEGMENTAL ANALYSIS

(a) As of December 31, analysis of sales, operating income (loss) and net assets by activities:

	Sales		Operating loss		Net assets	
	2015 SR 000	2014 SR 000	2015 SR 000	2014 SR 000	2015 SR 000	2014 SR 000
Epoxi resin products	342,765	594,506	(37,619)	(67,551)	268,422	324,573
Chlor Alkali products	163,321	208,000	(45,931)	(23,896)	73,014	132,092
Others	-	-	(9,348)	(10,957)	1,141,675	1,254,953
	506,086	802,506	(92,898)	(102,404)	1,483,111	1,711,618
Inter-company eliminations	(46,416)	(127,117)	-	-	(386,801)	(484,369)
Total	459,670	675,389	(92,898)	(102,404)	1,096,310	1,227,249

Nama Chemicals Company and NAMA Industrial Investment Company have been grouped as part of "Others" as these are mainly holding companies.

(b) As of December 31, analysis of sales and operating income (loss) by geographical location:

	Sales		Operating loss	
	2015 SR 000	2014 SR 000	2015 SR 000	2014 SR 000
Export sales	289,175	558,028	(44,775)	(66,050)
Local sales	216,911	244,478	(38,775)	(25,397)
Others	-	-	(9,348)	(10,957)
	506,086	802,506	(92,898)	(102,404)
Inter-company eliminations	(46,416)	(127,117)	-	-
Total	459,670	675,389	(92,898)	(102,404)

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21 COMMITMENTS AND CONTINGENCIES

As of December 31, 2015, the Group has outstanding letters of credit and letters of guarantee of SR 12.10 million (2014: SR 51.57 million) issued in the normal course of the business.

As of December 31, the Group had the following capital commitments:

	2015	2014
	SR 000	SR 000
Commitments for the acquisition of property, plant and equipment	<u>41,680</u>	<u>119,930</u>

22 (LOSS) EARNINGS PER SHARE

Loss per share from net loss is computed by dividing net loss for the year by the weighted average number of shares outstanding during the year.

Loss per share from continuing main operations is computed by dividing loss from operations after deducting finance charges and zakat for the year by the weighted average number of shares outstanding during the year.

Earnings per share from other operations are computed by dividing the total investment income, change in interest rate swap provision and other income, net over the weighted average number of shares outstanding during the year.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet principally include trade receivables, investments and other assets, accounts payable, borrowings and accrued and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is substantially placed with banks with sound credit ratings. Trade receivable are carried net of provision for doubtful debts and are stated at their estimated realizable values.

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arises mainly from those short-term bank deposits, short term borrowings and long-term debts, which are at floating rates of interest. All deposits and debts with floating rates of interest are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to their fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

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Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States Dollars and Euro. Management monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

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 except for, available for sale investments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

24 FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.
