

**ADVANCED PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

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(SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
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المتقدمة
Advanced

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AUDITORS' REPORT (LIMITED REVIEW) ON INTERIM FINANCIAL STATEMENTS

To the stockholders
Advanced Petrochemical Company
Dammam, Saudi Arabia.

Scope of Review

We have reviewed the accompanying interim balance sheet of Advanced Petrochemical Company ("Saudi Joint Stock Company") as of March 31, 2011 and the interim statements of income and cash flows for the three months then ended, and notes 1 to 4 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These interim financial statements are the responsibility of the Company's management.

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

Review Results

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

Deloitte & Touche
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April 6, 2011



ADVANCED PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS OF MARCH 31, 2011



	March 31, 2011 SR (Un-audited)	March 31, 2010 SR (Un-audited)
ASSETS		
Current assets		
Cash and cash equivalents	434,566,085	259,348,132
Trade receivables	396,236,374	253,225,868
Other receivables and prepayments	26,152,579	67,030,264
Inventories	227,945,643	125,695,280
Total current assets	1,084,900,681	705,299,544
Non-current assets		
Property, plants and equipment	2,380,823,295	2,512,478,486
Intangible assets	100,658,186	121,767,762
Long term receivable	15,000,000	-
Total non-current assets	2,496,481,481	2,634,246,248
TOTAL ASSETS	3,581,382,162	3,339,545,792
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable, accruals and other liabilities	403,803,629	245,978,871
Current portion of long term loans	170,000,000	140,000,000
Short term loan	93,750,000	93,750,000
Dividend payable	123,916,009	531,932
Total current liabilities	791,469,638	480,260,803
Non-current liabilities		
Long term loans	980,000,000	1,200,000,000
End-of-service indemnities	12,149,702	8,317,730
Total non-current liabilities	992,149,702	1,208,317,730
Stockholders' equity		
Share capital	1,413,750,000	1,413,750,000
Statutory reserve	80,060,382	39,374,389
Retained earnings (note 1)	303,952,440	197,842,870
Total stockholders' equity	1,797,762,822	1,650,967,259
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	3,581,382,162	3,339,545,792

The accompanying notes form an integral part of these interim financial statements

ADVANCED PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2011



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	For the three months ended March 31	
	2011 SR (Un-audited)	2010 SR (Un-audited)
Sales	667,514,213	464,490,585
Cost of sales	522,467,526	395,263,064
Gross profit	145,046,687	69,227,521
Selling and distribution expenses	5,124,966	5,272,777
General and administrative expenses	4,094,719	2,939,878
Operating income	135,827,002	61,014,866
Finance charges, net	(5,075,136)	(8,650,775)
Other income	354,913	199,904
NET INCOME	131,106,779	52,563,995
Earnings per share (note 3)		
Earnings per share from net income	0.9274	0.3718
Earnings per share from continuing main operations	0.9249	0.3704
Earnings per share from other operations	0.0025	0.0014
Weighted average number of shares	141,375,000	141,375,000

The accompanying notes form an integral part of these interim financial statements

ADVANCED PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011



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	2011 SR (Un-audited)	2010 SR (Un-audited)
OPERATING ACTIVITIES		
Net income	131,106,779	52,563,995
Adjustments for:		
Depreciation and amortization	52,505,389	47,442,944
Finance charges	5,075,136	8,650,775
End-of-service indemnities	1,178,763	1,113,484
Changes in:		
Trade receivables, other receivables and prepayments	(224,944,751)	(16,836,925)
Inventories	(62,035,912)	54,490,340
Accounts payable, accruals and other liabilities	124,170,169	(25,240,198)
Cash from operations	27,055,573	122,184,415
End-of-service indemnities paid	(37,018)	(157,591)
Finance charges paid	(5,589,239)	(158,587)
Net cash from operating activities	21,429,316	121,868,237
INVESTING ACTIVITIES		
Short term investments	-	12,306,572
Additions to property, plants and equipment	(2,785,165)	(12,782,176)
Increase in intangible assets	(1,661,642)	(47,270,846)
Net cash used in investing activities	(4,446,807)	(47,746,450)
FINANCING ACTIVITIES		
Repayment of long term loans	(20,000,000)	(40,000,000)
Dividends paid	(19,030,509)	(71,028,107)
Net cash used in financing activities	(39,030,509)	(111,028,107)
Net change in cash and cash equivalents	(22,048,000)	(36,906,320)
Cash and cash equivalents, beginning of the period	456,614,085	296,254,452
CASH AND CASH EQUIVALENTS, MARCH 31	434,566,085	259,348,132
Non-cash transactions		
Fixed type catalyst transferred from inventory to property, plants and equipments	-	(41,000,000)

The accompanying notes form an integral part of these interim financial statements



1. ORGANIZATION AND ACTIVITIES

Advanced Petrochemical Company ("the Company") is a Saudi Joint Stock Company, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (October 1, 2005). The share capital of the Company is SR 1,413,750,000, divided into 141,375,000 shares of SR 10 each. The Company's registered head office is at Dammam, Saudi Arabia.

In June 2010 the Board of Directors of the Company approved interim dividend of SR 106 million (2009: SR 70.6 million) and dividend payments commenced in August 2010. In December 2010, the Board of Directors of the Company resolved to recommend to the stockholders in the next general assembly meeting to pay a cash dividend for second half of 2010 of SR 141.4 million (2009: SR 70.6 million) which was approved in the general assembly meeting held in March 2011. After this recommendation, the total dividend for 2010 became SR 247.4 million (2009: SR 141.2 million).

The principal activity of the Company is to manufacture polypropylene.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements have been prepared in accordance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

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

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

For international markets, all products are sold to the marketers, while for local markets (Saudi Arabia and GCC countries) the products are sold through the Company. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc. Adjustments are made, as they become known to the Company. Sales in local markets are recognized upon delivery of products to customers.

Expenses

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

General and administrative expenses include direct and indirect costs not specifically part of production costs 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.



Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined for work in progress and 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.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments with original maturities of three months or less.

Property, plants and equipment

Property, plants 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. The estimated useful lives of the assets are as follows:

	Years
Plants	20
Capital spare parts	20
Buildings	33
Machinery and equipment	10
Furniture, fixtures and office equipment	4-8
Catofin catalysts	2-8
Laboratory and safety equipment	5
Vehicles	4
Leasehold improvements	10

Capital spare parts

Capital spare parts that are considered essential to ensure continuous plant operation, are classified under property, plants and equipment, and are depreciated using the straight line method in accordance with applicable rates. Spare parts are capitalized if they are not readily available in the market or unavailable, and their manufacturing requires an extended time to complete.

Intangible assets

Intangible assets comprise of establishment costs, listing costs and expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods. These costs also include plant testing and commissioning costs net off any proceeds from sale of off-spec production during the testing phase. Intangible assets are amortized over a period not exceeding seven years.

Planned turnaround costs 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 costs.



Impairment

At each balance sheet date, the Company reviews the carrying amounts of its 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 Company 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 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.

No impairment loss has been recognized from inception till March 31, 2011

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the interim financial statements based on the employees' length of service.

Foreign currency translation

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

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period end net income and any difference between the amount appropriated and the actual is adjusted in the last quarter.

Zakat and income tax

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis and charged to retained earnings. The zakat charge is computed on the Saudi stockholders' share in the zakat base. Income tax is computed on the foreign stockholders' share in the adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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 interim statement of income on a straight-line basis over the term of the operating lease.



Borrowing costs

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

Long term receivable

Long term receivable comprise of the share purchase cost, which under the Employee Share Ownership Program (ESOP) will be repaid to the Company over a period of time by the employees eligible for ESOP. The Company at no point become the legal owner of these shares. The detailed implementation guidelines and rules of the plan have not yet been finalized by the Company.

3. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the periods by the weighted average number of shares outstanding, during the three months ended March 31, 2011 amounting to 141.4 million shares (2010: 141.4 million shares).

Earnings per share from the continuing main operations are computed by dividing the operating income for the periods by the weighted average number of shares outstanding.

Earning per share from other operations is computed by dividing the other income for the periods by the weighted average number of shares outstanding.

4. CONTINGENCIES

Contingencies

Letters of guarantee in favor of Saudi Aramco (for the propane and gas sales supply agreements) and others.

	2011 SR	2010 SR
	(Un-audited)	(Un-audited)
	323,437,500	323,437,500