

**YANBU NATIONAL PETROCHEMICAL COMPANY  
(YANSAB)  
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2014**

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
**(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2014**

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## AUDITORS' REPORT

To the stockholders  
Yanbu National Petrochemical Company (YANSAB)  
(Saudi Joint Stock Company)  
Yanbu Al-Sinayah, Saudi Arabia

### **Scope of Audit**

We have audited the balance sheet of YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (the "Company"), a Saudi joint stock company, as of December 31, 2014, and the related statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 26 which form an integral part of these 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 financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the by-laws of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

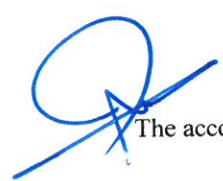
Al-Mutahhar Y. Hamiduddin  
Certified Public Accountant  
License No. 296

16 Rabi'II, 1436  
February 5, 2015

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
**(SAUDI JOINT STOCK COMPANY)**

**BALANCE SHEET**  
**AS OF DECEMBER 31, 2014**  
(Expressed in Thousands of Saudi Riyals)

	Note	2014	2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	2,691,413	2,106,155
Murabaha commodity placements	4	963,750	915,000
Accounts receivable	5	2,297,615	2,379,797
Inventories	6	1,315,651	1,119,141
Prepayments and other receivables	7	227,826	261,833
<b>Total current assets</b>		<b>7,496,255</b>	<b>6,781,926</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	14,589,734	15,623,375
Intangible assets	9	192,261	304,879
Other non-current assets	10	189,180	190,582
<b>Total non-current assets</b>		<b>14,971,175</b>	<b>16,118,836</b>
<b>TOTAL ASSETS</b>		<b>22,467,430</b>	<b>22,900,762</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Current portion of long-term loans	11	1,030,580	933,231
Current portion of Ijara financing	12	431,868	365,182
Accounts payable	13	463,437	252,128
Accrued expenses and other liabilities	14	729,375	623,490
<b>Total current liabilities</b>		<b>2,655,260</b>	<b>2,174,031</b>
<b>Non-current liabilities</b>			
Long-term loans	11	2,978,894	4,009,474
Ijara financing	12	1,081,258	1,513,126
Other non-current liabilities	15	199,698	160,800
<b>Total non-current liabilities</b>		<b>4,259,850</b>	<b>5,683,400</b>
<b>Stockholders' equity</b>			
Share capital	1	5,625,000	5,625,000
Statutory reserve	17	1,255,615	1,007,841
Retained earnings		8,671,705	8,410,490
<b>Total stockholders' equity</b>		<b>15,552,320</b>	<b>15,043,331</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>22,467,430</b>	<b>22,900,762</b>




The accompanying notes form an integral part of these financial statements

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2014**  
(Expressed in Thousands of Saudi Riyals)

	Note	2014	2013
Sales	16c	9,511,034	9,353,645
Cost of sales		(6,424,008)	(6,128,855)
<b>Gross profit</b>		<b>3,087,026</b>	<b>3,224,790</b>
Distribution, general and administrative expenses	18	(244,321)	(231,851)
<b>Operating income</b>		<b>2,842,705</b>	<b>2,992,939</b>
Finance charges, net		(223,726)	(259,871)
Other income, net		11,085	29,147
<b>Income before zakat</b>		<b>2,630,064</b>	<b>2,762,215</b>
Zakat	19	(152,325)	(117,564)
<b>NET INCOME</b>		<b>2,477,739</b>	<b>2,644,651</b>
Weighted average number of shares outstanding - share		562,500	562,500
<b><u>Earnings per share</u></b>	21		
Earnings per share from net income for the year: - Saudi Riyals		4.40	4.70
Earnings per share from main continuing activities: - Saudi Riyals		5.05	5.32

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**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
**(SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013		5,625,000	743,376	6,592,804	12,961,180
Net income for 2013		-	-	2,644,651	2,644,651
Transfer to statutory reserve	17	-	264,465	(264,465)	-
Dividends declared	25	-	-	(562,500)	(562,500)
December 31, 2013		5,625,000	1,007,841	8,410,490	15,043,331
Net income for the year		-	-	2,477,739	2,477,739
Transfer to statutory reserve	17	-	247,774	(247,774)	-
Dividends declared	25	-	-	(1,968,750)	(1,968,750)
December 31, 2014		<b>5,625,000</b>	<b>1,255,615</b>	<b>8,671,705</b>	<b>15,552,320</b>




The accompanying notes form an integral part of these financial statements

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
**(SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**  
(Expressed in Thousands of Saudi Riyals)

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Income before zakat	2,630,064	2,762,215
Adjustments for:		
Depreciation	1,152,287	980,449
Amortization on intangible assets	135,888	99,648
Finance charges, net	223,726	259,871
Write-off of inventories	1,376	-
Allowance for slow moving inventories	5,864	-
Other non-current liabilities	44,124	35,844
Changes in operating asset and liabilities:		
Accounts receivable	82,182	181,960
Inventories	(203,750)	(7,520)
Prepayments and other receivables	34,007	(3,198)
Accounts payable	211,309	(109,222)
Accrued expenses and other liabilities	98,442	(227,756)
Other non-current assets	1,402	17,273
Cash from operations	4,416,921	3,989,564
Other non-current liabilities paid	(5,226)	(9,935)
Zakat paid	(153,310)	(99,048)
Finance charges paid	(221,982)	(259,871)
<b>Net cash from operating activities</b>	<b>4,036,403</b>	<b>3,620,710</b>
<b>INVESTING ACTIVITIES</b>		
Murabaha commodity placements, net	(48,750)	(24,000)
Property, plant and equipment, net	(118,646)	(106,068)
Intangible assets	(23,270)	(74,462)
<b>Net cash used in investing activities</b>	<b>(190,666)</b>	<b>(204,530)</b>
<b>FINANCING ACTIVITIES</b>		
Movement in long-term loans, net	(933,231)	(921,641)
Movement in Ijara financing	(365,182)	(357,244)
Dividends paid	(1,962,066)	(560,907)
<b>Net cash used in financing activities</b>	<b>(3,260,479)</b>	<b>(1,839,792)</b>
<b>Net change in cash and cash equivalents</b>	<b>585,258</b>	<b>1,576,388</b>
Cash and cash equivalents, January 1	2,106,155	529,767
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>2,691,413</b>	<b>2,106,155</b>



The accompanying notes form an integral part of these financial statements



**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**  
(Expressed in Thousands of Saudi Riyals)

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**1. ORGANIZATION AND ACTIVITIES**

Yanbu National Petrochemical Company (YANSAB) (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4700009432 dated 14 Muharram 1427H (corresponding to February 13, 2006) in accordance with the Ministerial Resolution No. 49 dated 12 Muharram 1427H (corresponding to February 11, 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to August 23, 2005).

The Company's authorized, issued and fully paid share capital is SR 5,625 million which is divided into 562.5 million shares of SR 10 par value each. The Company is 51% owned by Saudi Basic Industries Corporation ("SABIC") (the majority stockholder), and 49% owned by others or publicly traded.

The Company is engaged in the manufacturing of petrochemical products in accordance with the Company's By-laws and other Saudi Arabian applicable regulations. The Company commenced commercial operations on March 1, 2010.

The Company's principal place of business is in Yanbu, Kingdom of Saudi Arabia.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Accounting convention**

The 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 year. 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**

The majority of product sales are made to the marketing unit of SABIC, the majority stockholder under a marketing agreement. Upon delivery to the marketing unit, sales are recorded at provisional prices. These prices are later adjusted based upon actual selling prices received by the marketer from third parties, and are recorded net of actual selling and distribution costs incurred by the marketer and the marketing fees. Adjustments are recorded as they become known to the Company.

**Distribution, general and administrative expenses**

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



**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

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**Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances, cash on hand, Murabaha commodity placements with an original maturity of three months or less. Murabaha commodity placements with original maturity of three months or less are stated at cost, with accrued income being captioned under prepayments and other receivables until realized. Income from Murabaha is accrued on time apportionment basis over the period from disbursement of funds to the redemption date.

**Accounts receivable**

Accounts receivable are stated at the original invoice amount less an allowance for any doubtful amounts. Adjustments are recorded as they become known to the Company. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written-off as incurred.

**Inventories**

Finished goods, chemicals and raw materials are stated at the lower of cost or net realizable value. The cost of finished goods, chemicals, spare parts and supplies is determined on a weighted average cost basis. Inventories of finished goods include cost of materials, labor and an appropriate portion of direct overheads.

Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale.

Inventory items that are considered as essential to ensure continuous plant operations are treated as capital spare parts and are classified as plant and equipment and are depreciated using the depreciation rate relevant to the corresponding plant and equipment.

**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.

Depreciation on additions or extensions forming an integral part of existing plants is provided over the remaining estimated useful life of the respective plants. The estimated rates of depreciation of the principal classes of assets are as follows:

Buildings & leasehold improvements	3%
Plant, machinery & heavy equipment	5%
Tools & equipment	5%
Furniture	10%
Motor vehicles	25%
Computers & software	20%
Laboratories & safety equipment	20%
Catalyst	20%

Construction-in-progress represents all costs relating directly to the ongoing projects in progress and will be capitalized as property, plant and equipment when the project is completed.

The carrying amount of all property, plant and equipment is reduced to recognize other than temporary diminution in value, if any.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**  
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**Intangible assets**

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets, and are amortized using the straight-line method over their estimated useful lives. Such intangible assets and their expected amortization periods are as follows:

*Pre-operating expenses*

Pre-operating expenses are charged to income statement unless attributable future benefits are determined in which case these will be amortized using the straight line method over the shorter of seven years or the estimated useful lives.

*Deferred charges*

Deferred charges relate to financial, legal consultancy and arrangement fees for obtaining long-term financing being used to partially finance the construction of the Company's plants. These fees are amortized over the period of long-term financing arrangements. The amortization portion that falls within the construction period is capitalized as part of construction work-in-progress and since the commencement of operations of the Company, the amortization expense is charged to the statement of income.

*Turnaround maintenance costs*

Turnaround maintenance 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 related to the same activity, 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 of non-current assets**

At each balance sheet date, the Company assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of its value in use and fair value less cost to sell.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the undiscounted estimated cash flow from the asset's use. If the carrying amount exceeds the undiscounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered as an impairment loss.

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

**Employees' home ownership program**

The Company has a home ownership program that offers eligible Saudi employees home ownership opportunities.

Unallocated housing units constructed/bought for eligible employees are included under buildings and depreciated over 33 years.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

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When the houses are allocated to the employees, the cost of houses constructed and sold to the employees under the program is transferred from property, plant and equipment to other non-current assets. Down payments and installments of purchase price received from employees are set-off against the other non-current assets.

The cost of the houses and the related purchase price is removed from other non-current assets when the title of the houses is transferred to the employees, at which time, no significant gain or loss is expected to result to the Company.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for the goods or services received, whether billed by the supplier or not.

**Dividends**

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

**Employees' end-of-service benefits and early retirement costs**

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

Employees' early retirement costs are provided for in accordance with the Company's policies and are charged to the statement of income.

**Employees' savings plan**

The Company maintains an employee savings plan. The contributions from the participants are deposited in a separate bank account and provision is established for the Company's contribution.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

**Provision for obligations**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, 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.

**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income, whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

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

**Segmental analysis**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of other segments.

All of the Company's operations are related to one operating segment which is petrochemicals and sell its products to one customer, the majority stockholder. Accordingly, segmental analysis by operating and geographic segment has not been presented.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and bank balances and murabaha investments with original maturities of three months or less.

	<u>2014</u>	<u>2013</u>
Murabaha commodity placements and time deposits	2,638,087	2,068,070
Current accounts	53,326	38,085
	<u>2,691,413</u>	<u>2,106,155</u>

Cash and cash equivalents at the end of the year include employees saving plan deposits held in a separate bank account of SR 10.7 million (2013: SR 7.5 million), which are not available to the Company.

**4. MURABAHA COMMODITY PLACEMENTS**

Murabaha commodity placements represent placements with original maturity exceeding three months and not more than twelve months and maintained with local and international banks.

**5. ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Due from related parties (note 16a)	2,297,445	2,379,702
Others	170	95
	<u>2,297,615</u>	<u>2,379,797</u>

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

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**6. INVENTORIES**

	<u>2014</u>	<u>2013</u>
Finished goods	650,470	503,102
Raw materials	223,685	237,278
Spare parts	452,106	394,949
Goods in transit	19,682	8,240
Less: Allowance for slow moving inventories	<u>(30,292)</u>	<u>(24,428)</u>
	<u><u>1,315,651</u></u>	<u><u>1,119,141</u></u>

The spare parts inventory is primarily used in the maintenance of plant and machinery.

**7. PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2014</u>	<u>2013</u>
Due from related parties (note 16a)	138,814	165,933
Other prepayments	<u>89,012</u>	<u>95,900</u>
	<u><u>227,826</u></u>	<u><u>261,833</u></u>

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

(Expressed in Thousands of Saudi Riyals)

**8. PROPERTY, PLANT AND EQUIPMENT**

	January 1	Additions	Transfer	December 31
<b>Cost:</b>				
Buildings & leasehold improvements	176,582	-	-	176,582
Plant, machinery & heavy equipment	18,770,821	796	3,271	18,774,888
Tools & equipment	79,320	50,715	-	130,035
Furniture	12,852	-	-	12,852
Motor vehicles	441	-	-	441
Computers & software	72,203	2,686	4,001	78,890
Laboratories & safety equipment	45,197	-	154	45,351
Catalyst	24,070	4,825	-	28,895
Construction work-in-progress	169,744	80,256	(28,058)	221,942
<b>Total Cost</b>	<b>19,351,230</b>	<b>139,278</b>	<b>(20,632)</b>	<b>19,469,876</b>
<b>Depreciation:</b>				
Buildings & leasehold improvements	20,415	5,351	-	25,766
Plant, machinery & heavy equipment	3,589,416	1,108,510	-	4,697,926
Tools & equipment	17,994	7,220	-	25,214
Furniture	4,748	1,285	-	6,033
Motor vehicles	418	23	-	441
Computers & software	52,219	15,210	-	67,429
Laboratories & safety equipment	33,418	9,070	-	42,488
Catalyst	9,227	5,618	-	14,845
<b>Total Depreciation</b>	<b>3,727,855</b>	<b>1,152,287</b>	<b>-</b>	<b>4,880,142</b>
<b>Net Book Value at January 1</b>	<b><u>15,623,375</u></b>			
<b>Net Book Value at December 31</b>				<b><u>14,589,734</u></b>

- a) The Company has leased land for plant, equipment and buildings from the Royal Commission, Yanbu, at a nominal rent. The lease is for a period of 35 years commencing from 1 Dhual Hijjah 1426H (corresponding to January 1, 2006) and is renewable for a similar period under mutual agreed terms and conditions (note 20).
- b) The Company's property, plant and equipment with original cost amounting to SR 3,175 million are leased under Ijara financing arrangement (note 12).
- c) The construction work-in-progress mainly represents phase II of the employee housing project.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**  
(Expressed in Thousands of Saudi Riyals)

**9. INTANGIBLE ASSETS**

	January 1	Additions	December 31
<b>Cost:</b>			
Pre-operating & start-up costs	200,000	-	200,000
Deferred charges	187,581	3,979	191,560
Turnaround maintenance costs	167,110	19,291	186,401
<b>Total cost</b>	<b>554,691</b>	<b>23,270</b>	<b>577,961</b>
<b>Amortization:</b>			
Pre-operating & start-up costs	109,523	28,571	138,094
Deferred charges	84,942	24,296	109,238
Turnaround maintenance cost	55,347	83,021	138,368
<b>Total depreciation</b>	<b>249,812</b>	<b>135,888</b>	<b>385,700</b>
<b>Net Book Value at January 1</b>	<b>304,879</b>		
<b>Net Book Value at December 31</b>			<b>192,261</b>

*Pre-operating & start-up costs*

These represent a contribution of SR 200 million to the Centennial Fund and Higher Plastic Institute that will financially support small and medium sized projects in the related industry and was conditional for the Company to secure the gas and feedstock required to manufacture its products. Pre-operating expenses will be amortized using the straight line method over the shorter of 7 years or their estimated useful life, from the commencement of commercial operations. The amortization of pre-operating expenses started on March 1, 2010.

*Deferred charges*

These include financial legal advisory and arrangement fees totaling SR 143.2 million, relating to long-term financing arrangements to finance the partial construction of the Company's plant. These fees were included in the initial recognition of the related financing arrangements and are being amortized over the period of the long-term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as of February 28, 2010 was capitalized in property, plant and equipment. Amortization has started on March 1, 2010, the date of commencement of operations.

*Turnaround maintenance costs*

These represent cost incurred to capture the planned turnaround cost. This cost will be amortized over the period until the date of the next planned turnaround.

**10. OTHER NON-CURRENT ASSETS**

	2014	2013
Advances to a related party (note 16a)	7,500	7,500
Employees' home ownership program	181,680	183,082
	<b>189,180</b>	<b>190,582</b>

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**11. LONG-TERM LOANS**

The following are the aggregate of loan utilization in respect of the loan facilities:

	<u>2014</u>	<u>2013</u>
Term loans	<b>4,009,474</b>	4,942,705
Less: Current portion	<b>(1,030,580)</b>	(933,231)
	<b><u>2,978,894</u></b>	<u>4,009,474</u>

*TERM LOANS*

During 2007, the Company entered into the following long-term loan facilities with various lenders and the amounts due as of December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Public Investment Fund (PIF) (a)	<b>1,800,562</b>	2,200,687
Commercial and Export Credit Agencies (ECA) loans (b)	<b>2,208,912</b>	2,742,018
	<b>4,009,474</b>	4,942,705
Less: Current portion	<b>(1,030,580)</b>	(933,231)
	<b><u>2,978,894</u></b>	<u>4,009,474</u>

- a) The PIF term loan which was obtained in 2007 to finance the partial construction of the plants is limited to SR 4,001 million. The term loan carries charges at commercial rates and is repayable in equal semi-annual instalments of SR 200 million. The first instalment was paid on December 31, 2009, and the last instalment is payable on June 30, 2019.
- b) During 2007, the above loans were obtained from a consortium of banks in the form of three loans, of which two loans were limited to SR 5,948 million and guaranteed by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of the plants and working capital. The loans which carry commission at commercial rates are repayable in semi-annual variable instalments with the first instalment being paid on June 30, 2009 and the last instalment is payable on June 30, 2018.
- c) The term loans are secured against the sales of the project. In addition, the Company has signed an Equity Support, Subordination and Retention Agreement ("ESSRA") with the majority stockholder, SABIC under which SABIC shall maintain its ownership in Yansab at 51% during the duration of the loans.

**12. IJARA FINANCING AGREEMENTS ("IFA")**

In 2009, the Company entered into the IFA pursuant to which the commercial banks will participate in the procurement of a portion of the project assets on the basis of a co-ownership structure.

On the completion of the project, the co-owned assets will be leased to the Company at an annual rental as agreed plus margin.

A special purpose vehicle, incorporated in the Kingdom of Saudi Arabia, holds, as agent, the financiers' interest in the co-owned assets.

Under the Forward Lease Agreement and the other IFAs, the Company will purchase from the custodian, the financiers' ownership interest in the above assets over a period of twelve years commencing from June 18, 2006. Commission on obligation under these arrangements is based on the commercial rate.



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As of December 31, the following balances were outstanding in respect of these facilities:

	<u>2014</u>	<u>2013</u>
Obligation under Ijara financing agreements	<b>1,513,126</b>	1,878,308
Less: Current portion	<b>(431,868)</b>	(365,182)
	<b><u>1,081,258</u></b>	<u>1,513,126</u>

In accordance with supply agreement a portion of the project equivalent in amount to the share of Original Facility Participants in Financing Facility as at completion of withdrawal date of November 22, 2010 amounting to SR 2,775 million has been transferred to an agent (Company owned by Original Participants). In accordance with the Ijara arrangements the last installment is repayable on June 30, 2018.

The minimum Ijara principal payments for five years subsequent to December 31, 2014 are as follows:

2015	<b>431,868</b>
2016	<b>432,503</b>
2017	<b>432,503</b>
2018	<b><u>216,252</u></b>
	<b><u>1,513,126</u></b>

**13. ACCOUNTS PAYABLE**

	<u>2014</u>	<u>2013</u>
Accounts payable – trade	<b>160,151</b>	145,088
Due to related parties (note 16b)	<b>303,286</b>	107,040
	<b><u>463,437</u></b>	<u>252,128</u>

**14. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<u>2014</u>	<u>2013</u>
Provision for zakat (note 19)	<b>141,016</b>	122,662
Due to related parties (note 16b)	<b>193,962</b>	164,076
Dividends payable (note 25)	<b>8,277</b>	1,593
Other*	<b>386,120</b>	335,159
	<b><u>729,375</u></b>	<u>623,490</u>

\*Accruals for major suppliers

**15. OTHER NON-CURRENT LIABILITIES**

	<u>2014</u>	<u>2013</u>
End-of-service indemnities	<b>182,808</b>	149,114
Employees' savings plan	<b>16,890</b>	11,686
	<b><u>199,698</u></b>	<u>160,800</u>

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a) The movement in end-of-service indemnities is as follows:

	<u>2014</u>	<u>2013</u>
January 1	149,114	127,010
Provision for the year	32,967	35,095
Transferred from/(to) a related party	4,681	(3,702)
Payments during the year	<u>(3,954)</u>	<u>(9,289)</u>
December 31	<u><u>182,808</u></u>	<u><u>149,114</u></u>

b) The movement in employees' savings plan provision is as follows:

	<u>2014</u>	<u>2013</u>
January 1	11,686	7,881
Provision for the year	6,476	4,451
Payments during the year	<u>(1,272)</u>	<u>(646)</u>
December 31	<u><u>16,890</u></u>	<u><u>11,686</u></u>

**16. RELATED PARTY TRANSACTIONS**

SABIC and its certain subsidiaries provide the Company with marketing, technical, research and technology, administrative, and purchasing services in accordance with executed agreements. The following are the details of major related party balances and transactions:

	<u>2014</u>	<u>2013</u>
<b>a) Due from related parties:</b>		
<b>Accounts receivable</b>		
SABIC (sale of goods)	2,296,684	2,361,214
Other affiliates	<u>761</u>	<u>18,488</u>
	<u><u>2,297,445</u></u>	<u><u>2,379,702</u></u>
<b>Prepayments and other receivables</b>		
SABIC (advance payments for purchase of materials and others)	137,114	165,933
Other affiliates (advance payments for purchase of materials and others)	<u>1,700</u>	<u>-</u>
	<u><u>138,814</u></u>	<u><u>165,933</u></u>
<b>Non-current assets</b>		
SABIC (advance payments for purchase of materials and others)	<u><u>7,500</u></u>	<u><u>7,500</u></u>
<b>b) Due to related parties:</b>		
<b>Accounts payable</b>		
SABIC (purchase of materials and others)	279,448	105,920
Other affiliates	<u>23,838</u>	<u>1,120</u>
	<u><u>303,286</u></u>	<u><u>107,040</u></u>

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	<u>2014</u>	<u>2013</u>
<b>Accrued expenses and other liabilities</b>		
SABIC (purchase of materials and others)	113,008	116,158
Other affiliates	80,954	47,918
	<u>193,962</u>	<u>164,076</u>
<b>c) Related party transactions:</b>		
<b>SABIC</b>		
Advance payment for purchase of materials and others	33,643	3,031
Sale of goods	9,511,034	9,332,038
Payments on behalf of the Company and other services	1,571,211	1,972,009
Research & technology fees	189,641	186,990
<b>Other affiliates</b>		
Sale of goods	-	21,607
End-of-service indemnities and employee savings plan transferred	4,681	(3,702)
	<u>4,681</u>	<u>(3,702)</u>

**17. STATUTORY RESERVE**

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-Laws, 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.

**18. DISTRIBUTION, GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2014</u>	<u>2013</u>
Salaries and related costs	5,879	3,614
Distribution costs	40,886	36,109
Research & technology fees	189,641	186,990
Board of directors' fees and remuneration	2,260	2,274
Others	5,655	2,864
	<u>244,321</u>	<u>231,851</u>

**19. ZAKAT**

The principal elements of the zakat base are as follows:

	<u>2014</u>	<u>2013</u>
Non-current assets	14,971,175	16,118,836
Non-current liabilities	4,259,850	5,683,400
Opening stockholders' equity	15,043,331	12,961,180
Net income before zakat	2,630,064	2,762,215

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

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The movement in zakat provision is as follows:

	<u>2014</u>	<u>2013</u>
January 1	122,662	104,146
Provision for the year	152,325	117,564
Reclassification	19,339	-
Paid during the year	<u>(153,310)</u>	<u>(99,048)</u>
December 31	<u>141,016</u>	<u>122,662</u>

Outstanding assessments:

During the year, the Company has finalized its zakat assessment from 2009 to 2012. The Company has submitted the zakat declaration for 2013 which is still under review by the DZIT.

**20. OPERATING LEASE ARRANGEMENTS**

	<u>2014</u>	<u>2013</u>
Payments under operating leases recognized as an expense during the year	<u>40,553</u>	<u>55,130</u>

**Operating lease commitments**

	<u>2014</u>	<u>2013</u>
Less than one year	14,936	25,871
More than one year but less than five years	96,974	81,154
More than five years	<u>88,907</u>	<u>65,124</u>
	<u>200,817</u>	<u>172,149</u>

The Company has leased land for property, plant and equipment from the Royal Commission of Jubail and Yanbu at a nominal rent. These leases commenced from 1 Dhual Hijjah 1426H (corresponding to January 1, 2006) and shall be in force for a period of 35 years Hegira years. The renewal of the lease for an additional period upon such terms and conditions may be agreed upon by the two parties.

The Company has a lease agreement for employee housing which commenced from April 15, 2012 for a period of 10 years. The lease is cancelable at six-month advance notice by the Company. Further, the Company has a lease agreement for employee housing which commenced from February 1, 2008 for a period of 10 years.

**21. EARNINGS PER SHARE**

Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

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

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**22. COMMITMENTS AND CONTINGENCIES**

	<u>2014</u>	<u>2013</u>
Letters of guarantee	<b>15 million</b>	15 million
Capital commitments	<b>249 million</b>	59 million

The capital commitments relate to projects which are under construction for future upgrade of the plant.

**23. FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

Financial instruments carried on the balance sheet principally include cash and cash equivalents, Murabaha commodity placements, accounts receivable, accounts payable, long-term loans and other current 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. Cash is substantially placed with national and international banks with sound credit ratings. Trade accounts receivable are carried net of provision for doubtful debts and are mainly due from majority stockholder i.e. SABIC.

**Interest Rate Risk** arises from possibility that changes in interest rates will affect future profitability of the fair values of the financial instruments. The Company is subject to interest rate risk on its interest bearing assets and liabilities namely bank deposits, Murabaha commodity placements and term loans.

In compliance with the requirements of loan agreements the Company has entered into hedge arrangements with local and foreign banks to manage interest rate risk associated with term loans. Under the arrangement the Company pays fixed interest rate and receives floating interest rate for a portion of the loan amounting to SR 3,103 million (2013: SR 4,303 million).

**Liquidity Risk** is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments and are ensured through various bank facilities availed by the Company.

**Currency Risk** is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the 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 Company's financial instruments 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 Company's financial assets and liabilities are not materially different from their carrying values.

**24. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Company as reflected in these financial statements.

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**25. DIVIDENDS DECLARED**

On June 19, 2013 the Board of Directors recommended the distribution of SR 562.5 million as cash dividend (SR 1 per share) for the first half of 2013 representing 10% of the nominal share value. The date of eligibility for this dividend distribution was to shareholders listed in Tadawul (Saudi Stock Exchange) by end of trading on July 3, 2013 with payment of cash dividend on July 28, 2013.

On December 9, 2013, the Board of Directors recommended to the General Assembly a distribution in the amount of SR 1,125 million as cash dividends (SR 2 per share) for the second half of the year 2013. The eligibility for this dividend distribution was to shareholders listed on the Tadawul (Saudi Stock Exchange) by the end of trading day of the General Assembly meeting which was on March 16, 2014. The total dividends for the year ended December 31, 2013 was SR 1,687.5 million (SR 3 per share). This was approved by the General Assembly in their meeting held on March 16, 2014.

On June 25, 2014 the Board of Directors recommended the distribution of SR 843.75 million as cash dividend (SR 1.5 per share) for the first half of 2014 representing 15% of the nominal share value. The date of eligibility for this dividend distribution was to shareholders listed in Tadawul (Saudi Stock Exchange) by the end of trading on July 3, 2014 with the payment of cash dividend on July 20, 2014.

On December 4, 2014, the Board of Directors recommended to the General Assembly a distribution of the amount of SR 843.75 million as cash dividends (SR 1.5 per share) for the second half of the year 2014. The eligibility for this dividend distribution is to shareholders listed on Saudi Stock Exchange (Tadawul) by the end of trading day of the General Assembly meeting which will be expected in March 2015. The total dividends for the year ended December 31, 2014 would be SR 1,687.5 million (SR 3 per share).

**26. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 23 Rabi'II, 1436H corresponding to February 12, 2015.