

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016



Building a better
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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (A SAUDI JOINT STOCK
COMPANY)
ON THE INTERIM FINANCIAL STATEMENTS**

Scope of review

We have reviewed the accompanying balance sheet of Yanbu National Petrochemical Company (YANSAB) (the "Company") - a Saudi Joint Stock Company as at 31 March 2016 and the related statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants' Standard on interim financial reporting. A limited review 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

for Ernst & Young

Ahmed I. Rada
Certified Public Accountant
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13 April 2016

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16/267/AIR

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM BALANCE SHEET (UNAUDITED)
As at 31 March 2016

	<i>Note</i>	31 March 2016 SR'000	31 March 2015 SR'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	593,183	2,050,630
Murabaha commodity placements	4	3,657,083	2,491,433
Accounts receivable and prepayments	5	1,763,452	2,157,031
Inventories	6	801,565	1,115,634
TOTAL CURRENT ASSETS		6,815,283	7,814,728
NON-CURRENT ASSETS			
Property, plant and equipment	7	14,172,945	14,526,742
Intangible assets	8	36,896	137,962
Other non-current assets	9	206,459	212,951
TOTAL NON-CURRENT ASSETS		14,416,300	14,877,655
TOTAL ASSETS		21,231,583	22,692,383
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	1,722,875	1,969,449
Current portion of long-term loans	11	1,464,011	1,462,448
TOTAL CURRENT LIABILITIES		3,186,886	3,431,897
NON-CURRENT LIABILITIES			
Long-term loans	11	2,596,141	4,060,152
Other non-current liabilities	13	258,572	208,021
TOTAL NON-CURRENT LIABILITIES		2,854,713	4,268,173
TOTAL LIABILITIES		6,041,599	7,700,070
SHAREHOLDERS' EQUITY			
Share capital		5,625,000	5,625,000
Statutory reserve	14	1,416,536	1,284,129
Retained earnings		8,148,448	8,083,184
TOTAL SHAREHOLDERS' EQUITY		15,189,984	14,992,313
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,231,583	22,692,383

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME (UNAUDITED)
For the three-month period ended 31 March 2016

	<i>Note</i>	<i>Three-month period ended 31 March 2016 SR'000</i>	<i>Three-month period ended 31 March 2015 SR'000</i>
Sales		1,495,675	1,716,777
Cost of sales		(974,351)	(1,304,029)
GROSS PROFIT		521,324	412,748
EXPENSES			
Selling, general and administration		(47,570)	(48,756)
INCOME FROM MAIN OPERATIONS		473,754	363,992
Other income, net		11,772	8,984
Financial charges		(43,030)	(47,621)
INCOME BEFORE ZAKAT		442,496	325,355
Zakat		(40,606)	(40,212)
NET INCOME FOR THE PERIOD		401,890	285,143
EARNINGS PER SHARE			
Weighted average number of ordinary shares outstanding (in thousands)	17	562,500	562,500
Earnings per share on income from main operations (in SR per share)	17	0.84	0.65
Earnings per share on net income for the period (in SR per share)	17	0.71	0.51

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2016

	<i>Note</i>	<i>Three-month period ended 31 March 2016 SR'000</i>	<i>Three-month period ended 31 March 2015 SR'000</i>
OPERATING ACTIVITIES			
Income before zakat		442,496	325,355
Adjustments for:			
Depreciation	7	259,703	287,272
Amortisation of intangible assets		43,595	12,412
Provision for employees' end of service benefits		7,950	7,419
Provision for employees' savings plan		1,604	1,967
Loss on disposal of property, plant and equipment		869	-
Financial charges		43,030	47,621
		<u>799,247</u>	<u>682,046</u>
Changes in operating assets and liabilities:			
Receivables		325,898	368,410
Inventories		23,939	200,017
Payables		(228,079)	(150,421)
Other non-current assets		(3,146)	2,347
		<u>917,859</u>	<u>1,102,399</u>
Cash from operations			
Financial charges paid		(2,976)	(5,018)
Employees' end of service benefits paid		(523)	(1,016)
Employees' savings benefits paid		(83)	(47)
		<u>914,277</u>	<u>1,096,318</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Murabaha commodity placements, net		(923,408)	(1,527,683)
Purchase of property, plant and equipment	7	(76,617)	(208,511)
		<u>(1,000,025)</u>	<u>(1,736,194)</u>
Net cash used in investing activities			
FINANCING ACTIVITY			
Dividends paid		(93)	(907)
		<u>(93)</u>	<u>(907)</u>
Net cash used in financing activity			
DECREASE IN CASH AND CASH EQUIVALENTS		(85,841)	(640,783)
Cash and cash equivalents at the beginning of the period		679,024	2,691,413
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	593,183	2,050,630

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the three-month period ended 31 March 2016

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2014 (audited)	5,625,000	1,255,615	8,671,705	15,552,320
Net income for the period	-	-	285,143	285,143
Transfer to statutory reserve	-	28,514	(28,514)	-
Dividends (note 18)	-	-	(843,750)	(843,750)
Board of directors' remuneration	-	-	(1,400)	(1,400)
Balance at 31 March 2015 (unaudited)	5,625,000	1,284,129	8,083,184	14,992,313
Balance at 31 December 2015 (audited)	5,625,000	1,376,347	8,350,647	15,351,994
Net income for the period	-	-	401,890	401,890
Transfer to statutory reserve	-	40,189	(40,189)	-
Dividends (note 18)	-	-	(562,500)	(562,500)
Board of directors' remuneration	-	-	(1,400)	(1,400)
Balance at 31 March 2016 (unaudited)	5,625,000	1,416,536	8,148,448	15,189,984

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2016

1 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 13 February 2006) in accordance with the Ministerial Resolution No. 49 dated 12 Muharram 1427H (corresponding to 11 February 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to 23 August 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 shareholder), 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 1 March 2010.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The interim financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The results presented in the interim financial statements may not be an accurate indicator of the annual financial results.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim financial statements are in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2015. 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 interim 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.

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. 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 uncollectible 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.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, direct labor and an appropriate portion of indirect 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, over the remaining useful life.

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 stated in note 7.

Capital-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.

Costs, which are directly attributable to turnarounds and eligible for capitalization, are recognized under property, plant and equipment. Such costs once capitalized are depreciated over the period to the occurrence of next such turnaround.

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 interim statement of income 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.

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 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 interim statement of income.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Labour Law and the Company's policy, are provided in the interim 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 interim 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.

Revenue recognition

The majority of product sales are made to the marketing unit of SABIC, the majority shareholder 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.

Selling, general and administration expenses

Selling, general and administration 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 selling, general and administration expenses and cost of sales, when required, are made on a consistent basis.

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 interim statement of income.

Provision for obligations

A provision is recognized in the interim 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.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat estimate is provided on an accruals basis and charged to the interim 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.

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 interim 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 shareholder. Accordingly, segmental analysis by operating and geographic segment has not been presented.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the interim statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Current versus non-current classification

As asset and liability is classified as current when it is expected to be realized or paid within twelve months after the balance sheet date, except for derivatives designated as a hedge, which are classified consistent with the underlying hedged item.

Derivative financial instruments

The Company uses derivative financial instruments, namely interest rate swap to hedge its interest rate risk on term loans obtained from banks. This arrangement is done for strategic hedging purposes and does not qualify for special hedge accounting rules. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the interim statement of income as other income or other expenses.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

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.

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Murabaha commodity placements and time deposits	473,385	1,006,553
Bank balances	119,798	1,044,077
	<u>593,183</u>	<u>2,050,630</u>

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account of SR 16.1 million (2015: SR 11.8 million), which are not available for the Company use.

4 MURABAHA COMMODITY PLACEMENTS

Murabaha commodity placements represent placements with original maturity exceeding three months and maintained with local and foreign banks.

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Trade accounts receivable:		
Related parties (note 12 (a))	1,489,543	1,906,241
Others	65	-
	<u>1,489,608</u>	<u>1,906,241</u>
Prepayments	80,073	82,293
Amounts due from related parties (note 12 (a))	193,771	168,497
	<u>1,763,452</u>	<u>2,157,031</u>

6 INVENTORIES

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Finished goods	406,363	529,718
Raw materials	139,775	199,994
Spare parts (see note (a) below)	432,179	437,264
Goods in transit	5,371	-
	<u>983,688</u>	<u>1,166,976</u>
Less:		
Allowance for slow moving spare parts	(182,123)	(51,342)
	<u>801,565</u>	<u>1,115,634</u>

a) The spare parts inventory is primarily used in the upkeep of plant and machinery.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2016

7 PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	33 years	Plant, machinery & heavy equipment	3 - 20 years
Building & leasehold improvements	20 years	Furniture	10 years
Tools & equipment	4 years	Computers & software	5 years
Vehicles	5 years	Catalyst	5 years
Laboratory & safety equipment			

	Buildings & leasehold improvements	Plant, machinery & heavy equipment	Tools & equipment	Furniture	Vehicles	Computers & software	Laboratory & safety equipment	Catalyst	Capital work in progress	Three-month period ended 31 March 2016	Three-month period ended 31 March 2015
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:											
At the beginning of the period	176,651	19,318,152	130,255	13,215	441	83,600	48,256	106,256	276,086	20,152,912	19,656,277
Additions	-	8,258	-	-	-	-	-	83	68,276	76,617	208,511
Transfers	-	(12,029)	-	-	-	-	-	-	12,029	-	(32,264)
Disposals	-	(1,248)	-	-	-	-	-	-	-	(1,248)	-
At the end of the period	176,651	19,313,133	130,255	13,215	441	83,600	48,256	106,339	356,391	20,228,281	19,832,524
Depreciation:											
At the beginning of the period	31,117	5,582,230	33,283	7,321	441	74,224	44,724	22,672	-	5,796,012	5,018,510
Charge for the period	1,338	252,482	2,021	330	-	654	305	2,573	-	259,703	287,272
Disposals	-	(379)	-	-	-	-	-	-	-	(379)	-
At the end of the period	32,455	5,834,333	35,304	7,651	441	74,878	45,029	25,245	-	6,055,336	5,305,782
Net book amounts:											
At 31 March 2016	144,196	13,478,800	94,951	5,564	-	8,722	3,227	81,094	356,391	14,172,945	
At 31 March 2015	149,478	13,897,118	102,804	6,498	-	7,516	1,289	12,444	349,595		14,526,742

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

7 PROPERTY, PLANT AND EQUIPMENT (continued)

- a) The plants are situated on land leased from the Royal Commission, Yanbu, for 35 Hijra years commencing 1 Dhul Al-Hija 1426 H (corresponding to 1 January 2006). The lease is renewable for further similar periods at the option of the parties.
- b) The Company's property, plant and equipment with original cost amounting to SR 3,175 million are leased under Ijara financing arrangement with certain banks (note 11).
- c) Capital work in progress represents ongoing turnaround plant and equipment maintenance, costs incurred on existing plants.
- d) Plant includes costs incurred to capture the planned turnaround cost. This cost will be depreciated over the period until the date of next planned turnaround. The net book value of such costs as at 31 March 2016 amounted to SR 315 million (2015: SR 74 million)

8 INTANGIBLE ASSETS

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Pre-operating and start-up costs (note (a))	-	54,762
Deferred charges (note (b))	36,896	83,200
	<u>36,896</u>	<u>137,962</u>

a) Pre-operating expenses

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.

b) Deferred charges

These include other intangible assets, financial legal advisory and arrangement fees totalling 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, using the effective interest rate, over the period of long term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as at 28 February 2010 is capitalized. Amortization charged to the interim statement of income has started on 1 March 2010, which represents the date of commencement of the Company's operations.

9 OTHER NON-CURRENT ASSETS

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Advances to a related party (note 12 (a))	7,500	7,500
Employees' home ownership program	198,959	205,451
	<u>206,459</u>	<u>212,951</u>

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Trade accounts payable:		
Related parties (note 12 (b))	131,932	168,452
Others (see note (a) below)	117,601	148,651
	249,533	317,103
Accrued expenses	534,162	419,929
Amounts due to related parties (note 12 (b))	169,534	200,070
Dividends payable	573,286	851,119
Provision for zakat	196,360	181,228
	1,722,875	1,969,449

a) Includes payables for major suppliers.

11 LONG-TERM LOANS

Long-term loans comprise of:

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Term loans	2,978,896	4,009,474
Ijara financing agreements ("IFA")	1,081,256	1,513,126
	4,060,152	5,522,600
Less:		
Current portion of long term loans	(1,464,011)	(1,462,448)
	2,596,141	4,060,152

Term loans

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	1,400,438	1,800,563
Commercial and Export Credit Agencies (ECA) loans (see note (b) below)	1,578,458	2,208,911
	2,978,896	4,009,474
Less:		
Current portion (see notes (a), (b) and (c) below)	(1,031,509)	(1,030,580)
	1,947,387	2,978,984

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

11 LONG-TERM LOANS (continued)

Term loans (continued)

- a) The PIF term loan 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 31 December 2009, and the last instalment is payable on 30 June 2019.
- b) During 2007, the above loans obtained were from a consortium of banks in three loans, of which two loans 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 plants and working capital. The loans which carry commission at commercial rates are repayable in semi-annual variable instalments with the first instalment payable on 30 June 2009 and the last instalment payable on 30 June 2018.
- c) The term loans are secured against the proceeds of project. In addition, the Company has signed an Equity Support, Subordination and Retention Agreement with the majority Shareholder (SABIC) under which SABIC shall maintain its ownership in Yansab at 51% for the life of the loans.

Ijara Financing Agreements ("IFA")

In 2009, the Company entered into the IFAs 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 (the "Custodian"), 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 18 June 2006. Commission on obligation under these arrangements is based on the commercial rate.

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

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Obligations under Ijara financing agreements	1,081,256	1,513,126
Less:		
Current portion	(432,502)	(431,868)
	<u>648,754</u>	<u>1,081,258</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 22 November 2010 amounting to SR 2,775 million has been transferred to Custodian (Company owned by Original Participants). In accordance with the Ijara arrangements the last instalment is repayable on 30 June 2018.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2016

12 RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of major related party transactions during the three-months period ended 31 March and the balances thereof at 31 March:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions for the three-month period ended</i>		<i>Balance At 31 March</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
a) Amounts due from related parties					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Sale of products	1,495,675	1,716,777	1,488,539	1,906,184
	Advances for purchase of materials, product sales and other transactions	30,319	16,603	189,227	153,717
	Long term advance for logistics	-	-	7,500	7,500
Other affiliates	Exchange of products	542	13,080	4,544	14,780
	Others	980	1,800	1,004	57
		1,527,516	1,748,260	1,690,814	2,082,238
b) Amounts due to related parties					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Payments on behalf of the company and other services rendered by the majority shareholder	187,396	469,229	171,753	268,178
	Research and technology fees	29,914	34,336	29,914	34,336
	Others	86,083	46,192	98,399	66,008
Board of directors	Remuneration	1,400	1,400	1,400	1,400
		304,793	551,157	301,466	369,922

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
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For the three-month period ended 31 March 2016

13 OTHER NON-CURRENT LIABILITIES

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Employees' end of service benefits	232,270	189,211
Employees' savings plan	26,302	18,810
	<u>258,572</u>	<u>208,021</u>

14 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, the company must set aside 10% of net income for the year until it has built up a reserve equal to 50% of the capital. The company may resolve to discontinue such transfers when the reserve totals 50% of the capital. This reserve is not available for distribution. The Company has appropriated the required statutory reserve for the period ended 31 March 2016 based on the interim financial statements. The reserve will be adjusted based on the final annual statutory financial statements.

15 NON-CASH TRANSACTIONS

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Dividends	562,407	843,750
Board of directors' remuneration	1,400	1,400
Capital work in progress transferred to other non-current assets	-	26,118
Capital work in progress transferred to deferred charges	-	6,146
Employees' end of service benefits transferred from related parties	1,922	-

16 COMMITMENTS AND CONTINGENCIES

	<i>31 March 2016 SR'000</i>	<i>31 March 2015 SR'000</i>
Letters of guarantee	14,798	14,798
Capital commitments	219,000	167,800
	<u>233,798</u>	<u>182,598</u>

17 EARNINGS PER SHARE

Earnings per share on income from main operations is calculated by dividing income from main operations by weighted average number of shares in issue during the period.

Earnings per share on net income is calculated by dividing the net income by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is not applicable on the Company.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2016

18 DIVIDENDS

On 4 December 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 which represents 15% of the nominal value of the shares. 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 19 March 2015. This was approved by the General Assembly in their meeting held on 19 March 2015. The total dividends for the year ended 31 December 2014 were SR 1,687.5 million (SR 3 per share).

On 24 December 2015, the Board of Directors recommended to the General Assembly a distribution of the amount of SR 562.5 million as cash dividends (SR 1 per share) for the second half of the year 2015 which represents 10% of the nominal value of the shares. 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 31 March 2016. This was approved by the General Assembly in their meeting held on 31 March 2016. The total dividends for the year ended 31 December 2015 were SR 1,125 million (SR 2 per share).

19 COMPARATIVE INFORMATION

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.