

**BASIC CHEMICAL INDUSTRIES COMPANY AND  
SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND NINE MONTHS  
ENDED SEPTEMBER 30, 2012**

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

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## AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders  
Basic Chemical Industries Company  
Dammam, Saudi Arabia.

### Scope of Review

We have reviewed the consolidated interim balance sheet of Basic Chemical Industries Company (Saudi Joint Stock Company) and its subsidiaries as of September 30, 2012 and the related consolidated interim statements of income for the three months and nine months and cash flows for the nine months then ended, and notes 1 to 6 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated 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 in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

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

Deloitte & Touche  
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi  
License No. 378  
24 Dhu-al-Qa'dah, 1433  
October 10, 2012



**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2012**

	September 30, 2012 SR (Un-audited)	September 30, 2011 SR (Un-audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	180,941,781	155,951,350
Accounts receivable	179,607,011	185,936,238
Inventories	132,987,767	129,000,132
Prepayments and other receivables	4,474,898	4,372,537
<b>Total current assets</b>	<b>498,011,457</b>	<b>475,260,257</b>
<b>Non-current assets</b>		
Property, plant and equipment	186,928,289	198,346,028
<b>TOTAL ASSETS</b>	<b>684,939,746</b>	<b>673,606,285</b>
<b>LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST</b>		
<b>Current liabilities</b>		
Due to banks	-	5,000,000
Accounts payable and other liabilities	102,832,227	111,100,055
<b>Total current liabilities</b>	<b>102,832,227</b>	<b>116,100,055</b>
<b>Non-current liabilities</b>		
End-of-service indemnities	20,266,840	17,430,145
<b>Stockholders' equity</b>		
Share capital	275,000,000	275,000,000
Statutory reserve	32,577,719	26,440,462
Retained earnings	139,278,398	111,543,078
<b>Total stockholders' equity</b>	<b>446,856,117</b>	<b>412,983,540</b>
Minority interest	114,984,562	127,092,545
<b>Total stockholders' equity and minority interest</b>	<b>561,840,679</b>	<b>540,076,085</b>
<b>TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST</b>	<b>684,939,746</b>	<b>673,606,285</b>

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

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Notes	From July 1 to September 30		From January 1 to September 30	
		2012 SR (Un-audited)	2011 SR (Un-audited)	2012 SR (Un-audited)	2011 SR (Un-audited)
Sales	4	160,718,508	161,431,803	526,896,057	488,495,324
Cost of sales		(117,538,810)	(119,075,734)	(385,715,558)	(354,287,275)
<b>Gross profit</b>		<b>43,179,698</b>	<b>42,356,069</b>	<b>141,180,499</b>	<b>134,208,049</b>
General and administrative expenses		(9,924,727)	(9,825,699)	(31,133,602)	(29,392,920)
Selling and distribution expenses		(9,068,474)	(8,825,955)	(27,739,690)	(26,794,264)
<b>Operating income</b>	4	<b>24,186,497</b>	<b>23,704,415</b>	<b>82,307,207</b>	<b>78,020,865</b>
Other income, net		1,147,191	475,291	1,537,918	907,168
Finance charges		-	(852,353)	(14,340)	(1,511,710)
<b>Income before minority interest and zakat</b>		<b>25,333,688</b>	<b>23,327,353</b>	<b>83,830,785</b>	<b>77,416,323</b>
Minority interest		(9,249,226)	(8,093,944)	(28,988,713)	(25,733,728)
<b>Net income before zakat</b>		<b>16,084,462</b>	<b>15,233,409</b>	<b>54,842,072</b>	<b>51,682,595</b>
Zakat		(1,400,000)	(1,400,000)	(5,293,662)	(4,200,000)
<b>NET INCOME</b>		<b>14,684,462</b>	<b>13,833,409</b>	<b>49,548,410</b>	<b>47,482,595</b>
<b>Earnings per share</b>	3	<b>0.53</b>	<b>0.503</b>	<b>1.80</b>	<b>1.727</b>
<b>Earnings per share from continuing main operations</b>	3	<b>0.49</b>	<b>0.486</b>	<b>1.74</b>	<b>1.694</b>
<b>Earnings per share from other operations</b>	3	<b>0.04</b>	<b>0.017</b>	<b>0.06</b>	<b>0.033</b>
Weighted average number of shares		27,500,000	27,500,000	27,500,000	27,500,000

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

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	For the nine months ended	
	September 30	
	2012	2011
	SR	SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	54,842,072	51,682,595
Adjustments for:		
Depreciation	16,355,695	16,119,485
Minority interest	28,988,713	25,733,728
Finance charges	14,340	1,511,710
End-of-service indemnities	3,810,028	2,900,158
Gain on disposal of property, plant and equipment	(533)	(126,161)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	(17,763,458)	(43,811,668)
Inventories	(2,151,236)	(14,559,819)
Accounts payable and other liabilities	(1,264,520)	27,151,829
Cash from operations	82,831,101	66,601,857
Finance charges paid	(14,340)	(1,511,710)
Zakat and income tax paid	(14,304,245)	(6,227,895)
End-of-service indemnities paid	(1,196,249)	(1,730,032)
<b>Net cash from operating activities</b>	<b>67,316,267</b>	<b>57,132,220</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(7,671,576)	(5,995,298)
Proceeds from disposal of property, plant and equipment	1,265,800	223,534
<b>Net cash used in investing activities</b>	<b>(6,405,776)</b>	<b>(5,771,764)</b>
<b>FINANCING ACTIVITIES</b>		
Due to banks	(5,000,000)	(10,000,000)
Repayment of loans	-	(5,750,000)
Dividends paid	(27,500,000)	(27,500,000)
Net movement in minority interest	(43,575,000)	(1,912,500)
<b>Net cash used in financing activities</b>	<b>(76,075,000)</b>	<b>(45,162,500)</b>
<b>Net change in cash and cash equivalents</b>	<b>(15,164,509)</b>	<b>6,197,956</b>
Cash and cash equivalents, January 1	196,106,290	149,753,394
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>180,941,781</b>	<b>155,951,350</b>

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

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

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**1. ORGANIZATION AND ACTIVITIES**

Basic Chemical Industries Company (“the Company”) is a Saudi Joint Stock Company, registered in Saudi Arabia under commercial registration number 2050002795 dated 29 Du Al Hijjah 1392H (February 1, 1973). The Company was listed on the Saudi Stock Exchange on June 16, 2008.

The Board of Directors (BOD) in their meeting dated January 25, 2012, proposed a dividend of SR 27.5 million, which was approved by the stockholders in annual general assembly meeting dated April 21, 2012. The entire dividend amount was distributed during the period.

The Company is engaged in the manufacturing of hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite and other chemicals associated with concrete treatment chemicals, detergents, adhesive materials and calcium chloride and management and maintenance projects and factories.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (“the Group”) as listed below:

	Effective ownership	
	2012	2011
Saudi Water Treatment Company Limited (SWTC)	100%	100%
Huntsman-APC Company Limited (HAPC)	49%	49%
National Adhesives Company Limited (NAL)	47%	47%
Basic Chemicals National Company Limited (BCNC)	100%	100%
Chemical Marketing and Distribution Company Limited (CMDC)	100%	100%

The subsidiaries are engaged in the manufacturing of chemicals for gas and oil treatment, chemicals for road treatment, anticking chemicals for detergents, textiles and mines, hot-melt and cold-melt adhesive materials and to produce and sell polyol chemical systems and other chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as agent for the sale of above products.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated interim financial statements have been prepared in accordance with the standard on interim financial reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The following is a summary of significant accounting policies applied by the Group.

**Principles of consolidation**

The consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries controlled by the Company prepared for the three and nine months ended September 30, 2012. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements. HAPC and NAL are consolidated as they are controlled and managed by the Company.

**Accounting convention**

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

**Use of estimates**

The preparation of consolidated interim 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.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

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**Revenue**

Revenue is recognized upon delivery of goods to customers and is stated net of trade or quantity discounts.

**Expenses**

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group'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 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, 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 depreciable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Plant and machinery	15
Buildings and leasehold improvements	25
Containers	4 - 5
Motor vehicles	4 - 5
Furniture, fixtures and office equipment	3 - 5

**Impairment**

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.



**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

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**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the consolidated 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 consolidated interim balance sheet date. Exchange gains or losses are credited or charged to consolidated interim statement of income.

**Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and the articles of association of the Company, 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 at the last quarter.

**Zakat**

The Group is subject to zakat and income tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is provided on an accruals basis. Zakat is recorded at the year end based on year end figures and any difference between the estimate and the actual is adjusted at the last quarter. 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 income on a straight line basis over the term of the operating lease.

**Segmental reporting**

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

**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 and nine months ended September 30, 2012 of 27.5 million shares (September 30, 2011: 27.5 million shares).

Earning per share from the continuing main operations is computed by dividing the operating income less zakat, finance charges and minority interest 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.

**BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

**4. SEGMENTAL ANALYSIS**

(a) Analysis of sales, operating income and net assets by activities:

	<b>Sales</b>		<b>Operating income</b>		<b>Net assets</b>	
	From January 1 to		From January 1 to		As at September 30	
	September 30		September 30			
	<b>2012</b>	2011	<b>2012</b>	2011	<b>2012</b>	2011
	SR	SR	SR	SR	SR	SR
	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Un-audited)
Chlor-Alkali						
Chemical	<b>77,352,866</b>	66,945,627	<b>14,018,129</b>	9,062,998	<b>255,285,081</b>	234,043,977
Maintenance &						
Laundry Chemical	<b>91,398,554</b>	89,382,385	<b>8,968,138</b>	12,707,991	<b>25,414,735</b>	25,825,301
Polyurethane						
Chemical	<b>99,856,926</b>	92,571,865	<b>6,856,050</b>	10,758,712	<b>31,666,961</b>	28,715,072
Adhesive Chemicals	<b>228,173,442</b>	215,448,073	<b>47,096,283</b>	38,603,901	<b>78,497,919</b>	83,223,848
Others	<b>30,114,269</b>	24,147,374	<b>5,368,607</b>	6,887,263	<b>55,991,421</b>	41,175,342
<b>Total</b>	<b>526,896,057</b>	488,495,324	<b>82,307,207</b>	78,020,865	<b>446,856,117</b>	412,983,540

(b) Analysis of sales and operating income by geographical location:

	<b>Sales</b>		<b>Operating income</b>	
	From January 1 to		From January 1 to	
	September 30,		September 30,	
	<b>2012</b>	2011	<b>2012</b>	2011
	SR	SR	SR	SR
	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Un-audited)
Local sales	<b>375,326,030</b>	323,242,474	<b>57,428,188</b>	53,415,420
Export sales	<b>151,570,027</b>	165,252,850	<b>24,879,019</b>	24,605,445
<b>Total</b>	<b>526,896,057</b>	488,495,324	<b>82,307,207</b>	78,020,865

**5. CONTINGENT LIABILITIES**

The Group's bankers have given various guarantees and performance bonds on behalf of the Group amounted to SR 11.2 million (2011: SR 17.8 million).

**6. RESULTS OF INTERIM PERIOD**

The results of the interim period are not audited and therefore it may not give an accurate indication of the annual operating results.