

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANTS' REVIEW REPORT  
FOR THE THREE MONTH PERIOD ENDED  
MARCH 31, 2012**

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS'**  
**REVIEW REPORT**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

### Scope of Review

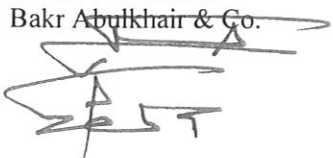
We have reviewed the interim balance sheet of YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (a Saudi joint stock company) ("the Company") as of March 31, 2012 and the related interim statements of income, shareholders' equity and cash flows for the three month period then ended, and notes 1 to 20 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all necessary information and explanations which we required. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of a review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted 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 interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.



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

19 Jumada'I, 1433  
April 11, 2012

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

**INTERIM BALANCE SHEET (UNAUDITED)**  
**AS OF MARCH 31, 2012**  
(Expressed in Thousands of Saudi Riyals)

	Note	March 31, 2012	March 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,104,117	1,142,322
Murabaha commodity placements	4	1,211,473	971,250
Accounts receivable	5	2,452,313	2,197,395
Inventories	6	1,107,448	1,037,405
Prepayments and other receivables	7	154,740	183,797
<b>Total current assets</b>		<b>6,030,091</b>	<b>5,532,169</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	17,423,270	18,219,660
Intangible assets	9	224,115	264,223
Other non-current assets	10	36,794	33,346
<b>Total non-current assets</b>		<b>17,684,179</b>	<b>18,517,229</b>
<b>TOTAL ASSETS</b>		<b>23,714,270</b>	<b>24,049,398</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Current portion of long-term loans	11	2,394,657	946,909
Accounts payable	12	351,001	312,024
Accrued expenses and other liabilities	13	844,724	1,166,641
<b>Total current liabilities</b>		<b>3,590,382</b>	<b>2,425,574</b>
<b>Non-current liabilities</b>			
Long-term loans	11	8,778,018	13,463,798
Other non-current liabilities	14	110,787	101,691
<b>Total non-current liabilities</b>		<b>8,888,805</b>	<b>13,565,489</b>
<b>Shareholders' equity</b>			
Share capital	1	5,625,000	5,625,000
Statutory reserve	16	570,767	253,093
Retained earnings		5,039,316	2,180,242
<b>Total shareholders' equity</b>		<b>11,235,083</b>	<b>8,058,335</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23,714,270</b>	<b>24,049,398</b>

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

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

**INTERIM STATEMENT OF INCOME (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
(Expressed in Thousands of Saudi Riyals)

	Note	Three month period ended March 31, 2012	Three month period ended March 31, 2011
Sales	15c	2,445,859	2,077,275
Cost of sales		(1,538,870)	(1,185,818)
<b>Gross profit</b>		<b>906,989</b>	<b>891,457</b>
Distribution, general and administrative expenses		(61,500)	(53,399)
<b>Operating profit</b>		<b>845,489</b>	<b>838,058</b>
Finance charges, net		(96,901)	(101,991)
Other income		5,303	4,693
<b>Income before zakat</b>		<b>753,891</b>	<b>740,760</b>
Zakat		(33,625)	(22,914)
<b>NET INCOME</b>		<b>720,266</b>	<b>717,846</b>
Weighted number of shares outstanding		<b>562,500</b>	<b>562,500</b>
<b>Earnings per share</b>	17		
Earnings per share from net income for the period		1.280	1.276
Earnings per share from main continuing activities		1.503	1.490

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

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

**INTERIM STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
 (Expressed in Thousands of Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2011	5,625,000	181,308	1,534,181	7,340,489
Net income for the period	-	-	717,846	717,846
Transfer to statutory reserve	-	71,785	(71,785 )	-
March 31, 2011	5,625,000	253,093	2,180,242	8,058,335
January 1, 2012	5,625,000	498,740	4,391,077	10,514,817
Net income for the period	-	-	720,266	720,266
Transfer to statutory reserve	-	72,027	(72,027 )	-
March 31, 2012	5,625,000	570,767	5,039,316	11,235,083

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

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

**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
(Expressed in Thousands of Saudi Riyals)

	Three month period ended March 31, 2012	Three month period ended March 31, 2011
<b>OPERATING ACTIVITIES</b>		
Income before zakat	753,891	740,760
Adjustments for:		
Depreciation	243,253	240,133
Amortization on intangible assets	10,027	10,027
Finance charges	96,901	101,991
Allowance for slow moving inventories	-	8,958
Other non-current liabilities	7,161	4,357
Changes in operating asset and liabilities:		
Accounts receivable	7,097	(285,452)
Inventories	62,573	(145,312)
Prepayments and other receivables	(31,418)	(15,954)
Accounts payable	(72,436)	55,697
Accrued expenses and other liabilities	(10,446)	(1,063)
Other non-current assets	(4,409)	3,328
Cash from operations	1,062,194	717,470
Other non-current liabilities paid	(23,193)	(519)
Zakat paid	-	(1,267)
Finance charges paid	(12,750)	(14,025)
<b>Net cash from operating activities</b>	<b>1,026,251</b>	<b>701,659</b>
<b>INVESTING ACTIVITIES</b>		
Murabaha commodity placements	(442,723)	(315,000)
Property, plant and equipment, net	(78,506)	(34,072)
<b>Net cash used in investing activities</b>	<b>(521,229)</b>	<b>(349,072)</b>
<b>Net change in cash and cash equivalents</b>	<b>505,022</b>	<b>352,587</b>
Cash and cash equivalents, January 1	599,095	789,735
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<b>1,104,117</b>	<b>1,142,322</b>

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
**(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 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 Bye Laws and other Saudi Arabian applicable regulations. The Company commenced commercial operations on March 1, 2010.

As the production is through an integrated factory, there are no separate identifiable segments for which disclosure is required.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Revenue recognition**

The majority of product sales are made to the marketing unit of SABIC, the majority shareholder. Upon delivery to the marketing unit, sales are recorded at provisional prices. These prices are later adjusted quarterly 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.

**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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**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.

**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	3.03%
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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
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**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 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.

**Intangible assets**

*Pre-operating expenses*

Pre-operating expenses are charged to income statement unless attributable future benefits are determined in which case these will be amortised 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 amortised over the period of long term financing arrangements. The amortization portion that falls within the construction period is capitalised as part of capital work in progress and since the commencement of operations of the Company, the amortization expense is charged to the statement of income.

**Employees' home ownership program**

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

Unsold housing units constructed for eventual sale to 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 to the houses is transferred to the employees, at which time, no significant gain or loss is expected to result to the Company.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
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**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.

**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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
 (Expressed in Thousands of Saudi Riyals)

**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.

	March 31, 2012	March 31, 2011
Murabaha commodity placements and time deposits	1,074,375	1,117,500
Current accounts	29,742	24,822
	<u>1,104,117</u>	<u>1,142,322</u>

**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**

	March 31, 2012	March 31, 2011
Due from related parties (note 15)	2,452,225	2,197,317
Others	88	78
	<u>2,452,313</u>	<u>2,197,395</u>

**6. INVENTORIES**

	March 31, 2012	March 31, 2011
Finished goods	564,480	556,850
Raw materials	229,862	207,711
Spare parts	313,106	272,844
	<u>1,107,448</u>	<u>1,037,405</u>

**7. PREPAYMENTS AND OTHER RECEIVABLES**

	March 31, 2012	March 31, 2011
Due from related party (note 15)	117,420	110,153
Other prepayments	37,320	73,644
	<u>154,740</u>	<u>183,797</u>

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
(Expressed in Thousands of Saudi Riyals)

**8. PROPERTY, PLANT AND EQUIPMENT**

	January 1	Additions	Transfers	March 31
<b>Cost:</b>				
Buildings & leasehold improvements	175,997	-	-	175,997
Plant, machinery & heavy equipment	18,770,879	152	5,208	18,776,239
Tools & equipment	65,559	-	194	65,753
Furniture	12,527	-	-	12,527
Motor vehicles	441	-	-	441
Computers & software	68,256	-	1,267	69,523
Laboratories & safety equipment	42,160	-	1,344	43,504
Catalyst	-	12,090	-	12,090
Capital work-in-progress	222,288	66,264	(8,013)	280,539
<b>Total Cost</b>	<b>19,358,107</b>	<b>78,506</b>	<b>-</b>	<b>19,436,613</b>
<b>Depreciation:</b>				
Buildings & leasehold improvements	9,726	1,333	-	11,059
Plant, machinery & heavy equipment	1,710,269	234,437	-	1,944,706
Tools & equipment	8,577	1,131	-	9,708
Furniture	2,210	313	-	2,523
Motor vehicles	198	28	-	226
Computers & software	23,660	3,455	-	27,115
Laboratories & safety equipment	15,450	2,153	-	17,603
Catalyst	-	403	-	403
<b>Total Depreciation</b>	<b>1,770,090</b>	<b>243,253</b>	<b>-</b>	<b>2,013,343</b>
<b>Net Book Value at January 1</b>	<b>17,588,017</b>			
<b>Net Book Value at March 31</b>				<b>17,423,270</b>

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 1426 H (corresponding to January 1, 2006) and is renewable for a similar period under mutual agreed terms and conditions.

The Company's property, plant and equipment with net book value amounting to SR 2,553 million (2011: SR 2,775 million) are leased under Ijara financing arrangement with certain banks.

The capital work-in-progress includes employee housing project amounting to SR 267 million (2011: SR 113 million).

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

(Expressed in Thousands of Saudi Riyals)

**9. INTANGIBLE ASSETS**

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Pre-operating expenses	<b>140,476</b>	169,048
Deferred charges	<b>83,639</b>	95,175
	<b>224,115</b>	264,223

*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 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 represent 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 is capitalized. Amortization has started on March 1, 2010, the date of commencement of operations.

**10. OTHER NON-CURRENT ASSETS**

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Advances to related parties (note 15)	<b>7,500</b>	7,500
Employees' home ownership program	<b>22,196</b>	16,509
Advances to contractors	<b>7,098</b>	9,337
	<b>36,794</b>	33,346

**11. LONG-TERM LOANS**

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

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Term loans	<b>6,728,042</b>	8,765,166
Islamic facility agreements	<b>2,553,102</b>	2,775,387
Loan from the majority shareholder	<b>1,891,531</b>	2,870,154
Less: Current portion	<b>(2,394,657)</b>	(946,909)
	<b>8,778,018</b>	13,463,798

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**  
 (Expressed in Thousands of Saudi Riyals)

*TERM LOANS*

During 2007, the Company entered into the following long-term loan facilities with various lenders:

	March 31, 2012	March 31, 2011
Public Investment Fund (PIF) (a)	3,000,938	3,401,062
Commercial and Export Credit Agencies (ECA) loans (b)	3,727,104	5,364,104
	6,728,042	8,765,166
Less: Current portion	(863,695)	(724,624)
	<u>5,864,347</u>	<u>8,040,542</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 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 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 with the majority shareholder, SABIC under which SABIC shall maintain its ownership in Yansab at 51% during the duration of the loans.

*ISLAMIC FACILITY 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, Yanbu Asset Leasing Company Limited (YALC) (the "Custodian"), incorporated in the Kingdom of Saudi Arabia, holds, as agent, the Islamic financiers' interest in the co-owned assets.

Under the Forward Lease Agreement and the other IFAs, the Company will purchase from the custodian, the Islamic 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 calculated based on the effective rate of return.



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 (Expressed in Thousands of Saudi Riyals)

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

	March 31, 2012	March 31, 2011
Obligation under Islamic facility agreements	2,553,102	2,775,387
Less: Current portion	(317,550)	(222,285)
	<u>2,235,552</u>	<u>2,553,102</u>

*LOAN FROM THE MAJORITY SHAREHOLDER*

The Company obtained a loan from SABIC, the majority shareholder in accordance with the Equity Support, Subordination and Retention Agreement (ESSRA). The term loan which carries borrowing charges at commercial rates is fully repayable within three years commencing on the date of drawdown and the first instalment is due on June 30, 2012. During second half of 2011 the Company has made accelerated payments amounting to SR 1,012 million.

	March 31, 2012	March 31, 2011
Total loan from the majority shareholder (note 15)	1,891,531	2,870,154
Less: Current portion	(1,213,412)	-
	<u>678,119</u>	<u>2,870,154</u>

**12. ACCOUNTS PAYABLE**

	March 31, 2012	March 31, 2011
Accounts payable - trade	290,955	258,814
Due to related parties (note 15)	60,046	53,210
	<u>351,001</u>	<u>312,024</u>

**13. ACCRUED EXPENSES AND OTHER LIABILITIES**

	March 31, 2012	March 31, 2011
Provision for zakat	124,658	61,936
Due to related parties (note 15)	225,080	476,746
Other	494,986	627,959
	<u>844,724</u>	<u>1,166,641</u>



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**14. OTHER NON-CURRENT LIABILITIES**

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
End-of-service indemnities	<b>105,123</b>	96,119
Employees' savings plan	<b>5,664</b>	5,572
	<b>110,787</b>	101,691

**15. RELATED PARTIES TRANSACTIONS**

SABIC and its subsidiaries provide the Company required 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:

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>a) Due from related parties:</b>		
<b>Accounts receivable</b>		
SABIC (sale of goods)	<b>2,410,779</b>	2,167,029
Other affiliates	<b>41,446</b>	30,288
	<b>2,452,225</b>	2,197,317
<b>Prepayments and other receivables</b>		
SABIC (advance payments for purchase of materials and others)	<b>117,420</b>	110,153
<b>Non-current assets</b>		
SABIC (advance payments for purchase of materials and others)	<b>7,500</b>	7,500
<b>b) Due to related parties:</b>		
<b>Accounts payable</b>		
SABIC (purchase of materials and others)	<b>58,487</b>	53,189
Other affiliates	<b>1,559</b>	21
	<b>60,046</b>	53,210
<b>Accrued expenses and other liabilities</b>		
SABIC (purchase of materials and others)	<b>161,043</b>	147,070
Other affiliates	<b>64,037</b>	59,676
	<b>225,080</b>	476,746
<b>Long-term loans</b>		
SABIC	<b>1,891,531</b>	2,870,154

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	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>c) Related party transactions:</b>		
<b>SABIC</b>		
Advance payment for purchase of materials and others	<b>16,869</b>	14,634
Sale of goods	<b>2,415,409</b>	2,049,795
Payments on behalf of the Company and other services	<b>380,919</b>	461,914
<b>Other affiliates</b>		
Sale of goods	<b>30,450</b>	27,480
Other	<b>3,500</b>	48,093

**16. STATUTORY RESERVE**

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

**17. 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 period.

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

**18. COMMITMENTS AND CONTINGENCIES**

As of March 31, 2012, the Company had outstanding letters of guarantee of approximately SR 25 million (2011: approximately SR 39 million).

**19. RESULTS OF INTERIM PERIOD**

The results of the interim period are not an indication of the results for the year.

**20. COMPARATIVE FIGURES**

Certain figures of 2011 have been reclassified to conform to the presentation in the current period.