

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

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إرنست و يونغ و شركاهم (محاسبون قانونيون)  
الدور الثالث عشر ، برج طريق الملك  
صندوق بريد ١٩٩٤  
طريق الملك عبد العزيز (طريق الملك)  
جدة ٢١٤٤١  
المملكة العربية السعودية  
رقم التسجيل: ٤٥



## 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 December 2016 and the related statement of income for the three-month period and the year ended 31 December 2016, and the related statements of cash flows and changes in shareholders' equity for the year 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 for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

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Certified Public Accountant  
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10 January 2017

Jeddah



16/03/AMS

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

INTERIM BALANCE SHEET

As at 31 December 2016

	<i>Note</i>	<b>2016 (Unaudited) SR'000</b>	<b>2015 (Audited) SR'000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,685,822	679,024
Murabaha commodity placements	4	1,737,298	2,733,675
Accounts receivable and prepayments	5	2,127,118	2,089,350
Inventories	6	861,511	825,504
<b>TOTAL CURRENT ASSETS</b>		<b>6,411,749</b>	<b>6,327,553</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	13,557,085	14,356,900
Intangible assets	8	27,245	80,491
Other non-current assets	9	196,684	203,313
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,781,014</b>	<b>14,640,704</b>
<b>TOTAL ASSETS</b>		<b>20,192,763</b>	<b>20,968,257</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	10	1,058,750	1,308,409
Current portion of long term loans	11	1,464,011	1,464,011
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,522,761</b>	<b>2,772,420</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	11	1,132,130	2,596,141
Other non-current liabilities	13	291,925	247,702
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,424,055</b>	<b>2,843,843</b>
<b>TOTAL LIABILITIES</b>		<b>3,946,816</b>	<b>5,616,263</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1	5,625,000	5,625,000
Statutory reserve	14	1,606,507	1,376,347
Retained earnings		9,014,440	8,350,647
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>16,245,947</b>	<b>15,351,994</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20,192,763</b>	<b>20,968,257</b>

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**

For the three-month period and year ended 31 December 2016

	<i>Note</i>	<i>For the three-month period ended 31 December</i>		<i>For the year ended 31 December</i>	
		<i>2016 (Unaudited) SR'000</i>	<i>2015 (Unaudited) SR'000</i>	<i>2016 (Unaudited) SR'000</i>	<i>2015 (Audited) SR'000</i>
Sales		1,849,286	1,831,050	6,970,752	6,911,416
Cost of sales		(1,172,422)	(1,293,855)	(4,273,047)	(5,153,818)
<b>GROSS PROFIT</b>		<b>676,864</b>	<b>537,195</b>	<b>2,697,705</b>	<b>1,757,598</b>
Selling, general and administration expenses		(58,327)	(58,977)	(210,972)	(217,537)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>618,537</b>	<b>478,218</b>	<b>2,486,733</b>	<b>1,540,061</b>
Other income, net		40,058	5,588	99,580	25,894
Financial charges		(31,608)	(45,079)	(139,114)	(182,380)
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>		<b>626,987</b>	<b>438,727</b>	<b>2,447,199</b>	<b>1,383,575</b>
Zakat and income tax	15	(24,135)	(45,663)	(145,596)	(176,251)
<b>NET INCOME FOR THE PERIOD / YEAR</b>		<b>602,852</b>	<b>393,064</b>	<b>2,301,603</b>	<b>1,207,324</b>
<b>EARNINGS PER SHARE</b>					
Weighted average number of outstanding ordinary shares (in thousands)	18	562,500	562,500	562,500	562,500
Earnings per share on income from main operations for the period / year (in SR per share)	18	1.10	0.85	4.42	2.74
Earnings per share on net income for the period / year (in SR per share)	18	1.07	0.70	4.09	2.15

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**  
For the year ended 31 December 2016

	<i>Note</i>	<b>2016 (Unaudited) SR'000</b>	<b>2015 (Audited) SR'000</b>
<b>OPERATING ACTIVITIES</b>			
Income before zakat and income tax		<b>2,447,199</b>	1,383,575
Adjustments for:			
Depreciation	7	<b>1,081,804</b>	1,036,687
Amortization of intangible assets		<b>53,246</b>	83,609
Allowance for slow moving inventories		<b>-</b>	151,831
Provision for employees' end of service benefits		<b>40,864</b>	42,987
Provision for employees' savings plan		<b>9,287</b>	8,287
Loss on disposal of property, plant and equipment		<b>1,404</b>	4,957
Financial charges		<b>139,114</b>	182,380
		<b>3,772,918</b>	2,894,313
Changes in operating assets and liabilities:			
Receivables		<b>(37,768)</b>	437,377
Inventories		<b>(36,007)</b>	338,316
Payables		<b>(259,426)</b>	98,257
Other non-current assets		<b>6,629</b>	12,928
Cash from operations		<b>3,446,346</b>	3,781,191
Financial charges paid		<b>(139,114)</b>	(182,380)
Employees' end of service benefits paid		<b>(12,551)</b>	(4,160)
Employees' savings benefits paid		<b>(623)</b>	(396)
Zakat paid		<b>(131,471)</b>	(161,513)
Board of directors' remuneration paid		<b>(1,400)</b>	(1,400)
Net cash from operating activities		<b>3,161,187</b>	3,431,342
<b>INVESTING ACTIVITIES</b>			
Murabaha commodity placements, net		<b>996,377</b>	(1,769,925)
Purchase of property, plant and equipment	7	<b>(283,393)</b>	(793,984)
Additions to intangible assets		<b>-</b>	(13,726)
Net cash from / (used in) investing activities		<b>712,984</b>	(2,577,635)
<b>FINANCING ACTIVITIES</b>			
Repayment of long term loans		<b>(1,464,011)</b>	(1,462,448)
Dividends paid		<b>(1,403,362)</b>	(1,403,648)
Net cash used in financing activities		<b>(2,867,373)</b>	(2,866,096)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,006,798</b>	(2,012,389)
Cash and cash equivalents at the beginning of the year		<b>679,024</b>	2,691,413
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	3	<b>1,685,822</b>	679,024

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 year ended 31 December 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 year	-	-	1,207,324	1,207,324
Transfer to statutory reserve	-	120,732	(120,732)	-
Dividends (note 19)	-	-	(1,406,250)	(1,406,250)
Board of directors' remuneration	-	-	(1,400)	(1,400)
<b>Balance at 31 December 2015 (audited)</b>	<b>5,625,000</b>	<b>1,376,347</b>	<b>8,350,647</b>	<b>15,351,994</b>
Balance at 31 December 2015 (audited)	5,625,000	1,376,347	8,350,647	15,351,994
Net income for the year	-	-	2,301,603	2,301,603
Transfer to statutory reserve	-	230,160	(230,160)	-
Dividends (note 19)	-	-	(1,406,250)	(1,406,250)
Board of directors' remuneration	-	-	(1,400)	(1,400)
<b>Balance at 31 December 2016 (unaudited)</b>	<b>5,625,000</b>	<b>1,606,507</b>	<b>9,014,440</b>	<b>16,245,947</b>

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 (UNAUDITED)**

For the year ended 31 December 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 the city of 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 and should be read in conjunction with the statutory annual financial statements for the year ended 31 December 2015. 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 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 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 and murabaha commodity placements with an original maturity of three months or less. Murabaha commodity placements with an 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 (UNAUDITED) (continued)**  
For the year ended 31 December 2016

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**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 property, 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 to the interim financial statements.

Capital work-in-progress represents all costs directly relating 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.

**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 interim 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.

**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) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employees' home ownership program (continued)**

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 instalments 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.

**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.

**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 employees' 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 marketing unit from third parties, and are recorded net of actual selling and distribution costs incurred by the marketing unit 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.

**Zakat and income tax**

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") 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.

Subsequent to year end, the Saudi Organization for Certified Public Accountants (SOCPA) issued an opinion on the circular issued by the GAZT with respect to the calculation of income tax on non-GCC shareholders (see note 15).

**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 SABIC, 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 interim 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**

An asset and a liability are classified as current when it is expected to be realized or paid within twelve months after the interim 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.

**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.

	<b>31 December 2016 SR'000</b>	<b>31 December 2015 SR'000</b>
Murabaha commodity placements and time deposits	<b>1,646,745</b>	608,250
Bank balances	<b>39,077</b>	70,774
	<b><u>1,685,822</u></b>	<b><u>679,024</u></b>

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account amounting SR 20.1 million (31 December 2015: SR 14.7 million), which are not available for the Company use.

**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

**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 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Trade accounts receivable:		
Related parties (note 12 (a))	1,881,806	1,844,106
Others	534	72
	<u>1,882,340</u>	<u>1,844,178</u>
Amounts due from related parties (note 12 (a))	171,201	163,995
Prepayments	73,577	81,177
	<u>2,127,118</u>	<u>2,089,350</u>

**6 INVENTORIES**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Finished goods	504,566	407,146
Spare parts (see note (a) below)	387,378	441,370
Raw materials	133,325	145,797
Goods in transit	18,365	13,314
	<u>1,043,634</u>	<u>1,007,627</u>
Less:		
Allowance for slow moving spare parts	(182,123)	(182,123)
	<u>861,511</u>	<u>825,504</u>

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

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

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**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 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 cost being incurred on existing plants regarding ongoing turnaround and equipment maintenance.
- 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 December 2016 amounted to SR 264 million (31 December 2015: SR 363 million).

**8 INTANGIBLE ASSETS**

These include financial legal advisory, arrangement fees and other intangible assets totalling SR 143.2 million (31 December 2015: 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. These financial legal advisory, arrangement fees and other intangible assets are fully amortized during the current year.

**9 OTHER NON-CURRENT ASSETS**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Employees' home ownership program	189,184	195,813
Advances to a related party (note 12 (a))	7,500	7,500
	<u>196,684</u>	<u>203,313</u>

**10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Trade accounts payable:		
Related parties (note 12 (b))	142,783	160,629
Others (see note (a) below)	151,891	40,624
	<u>294,674</u>	<u>201,253</u>
Accrued expenses	438,737	783,012
Amounts due to related parties (note 12 (b))	141,692	157,511
Provision for zakat and income tax	169,879	155,754
Dividends payable	13,767	10,879
	<u>1,058,750</u>	<u>1,308,409</u>

- a) Includes payables for major suppliers.

**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**

For the year ended 31 December 2016

**11 LONG TERM LOANS**

Long term loans comprise of:

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Term loans	<b>1,947,386</b>	2,978,896
Ijara Financing Agreements ("IFAs")	<b>648,755</b>	1,081,256
	<b>2,596,141</b>	4,060,152
Less: Current portion of long term loans	<b>(1,464,011)</b>	(1,464,011)
	<b>1,132,130</b>	2,596,141

***Term loans***

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Public Investment Fund (PIF) (see notes (a) and (c) below)	<b>1,000,311</b>	1,400,438
Commercial and Export Credit Agencies (ECA) (see notes (b) and (c) below)	<b>947,075</b>	1,578,458
	<b>1,947,386</b>	2,978,896
Less: Current portion (see notes (a), (b) and (c) below)	<b>(1,031,509)</b>	(1,031,509)
	<b>915,877</b>	1,947,387

- 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, these loans were obtained from a consortium of banks in three loans, of which two loans limited to SR 5,948 million and guaranteed by (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of plants and working capital. The loans carry commission at commercial rates and are repayable in semi-annual variable instalments with the first instalment paid on 30 June 2009 and the last instalment payable on 30 June 2018.
- c) The term loans are secured against the proceeds of projects. 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 ("IFAs")***

In 2009, the Company entered into IFAs pursuant to which the commercial banks will participate in the procurement of 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.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the year ended 31 December 2016

11 LONG TERM LOANS (continued)

*Ijara Financing Agreements ("IFAs") (continued)*

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

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Obligations under Ijara Financing Agreements	648,755	1,081,256
Less: Current portion	(432,502)	(432,502)
	<u>216,253</u>	<u>648,754</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 the Custodian. In accordance with the Ijara arrangement, 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 (UNAUDITED) (continued)**

For the year ended 31 December 2016

**12 RELATED PARTY TRANSACTIONS AND BALANCES**

The following are details of major related party transactions during the year ended 31 December and the balances thereof at 31 December:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions for the year ended 31 December</i>		<i>Balance At 31 December</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>
<b>a) Amounts due from related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Sale of products	6,970,752	6,911,416	1,881,758	1,843,686
	Advances for purchase of materials, product sales and other transactions	6,042	21,795	164,951	158,909
	Long term advance for logistics	-	-	7,500	7,500
Other affiliates	Exchange of products	1,164	3,387	48	420
	Others	9,806	8,216	6,250	5,086
		<u>6,987,764</u>	<u>6,944,814</u>	<u>2,060,507</u>	<u>2,015,601</u>
<b>b) Amounts due to related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Payments on behalf of the Company and other services rendered by the majority shareholder	1,392,654	1,588,889	176,919	195,619
	Research and technology fees	139,432	139,287	36,988	36,606
Other affiliates	Tolling, storage services and others	561,340	296,226	70,568	85,915
Board of directors	Remuneration	1,400	1,400	-	-
		<u>2,094,826</u>	<u>2,025,802</u>	<u>284,475</u>	<u>318,140</u>



**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

**13 OTHER NON-CURRENT LIABILITIES**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Employees' end of service benefits	258,480	222,921
Employees' savings plan	33,445	24,781
	<u>291,925</u>	<u>247,702</u>

**14 STATUTORY RESERVE**

In accordance with the Company's By-laws, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 50% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. This reserve is not available for distribution. The Company has appropriated the required statutory reserve for the year ended 31 December 2016 based on the interim financial statements. The reserve will be adjusted based on the final annual statutory financial statements.

**15 ZAKAT AND INCOME TAX**

On 4 December 2016, the General Authority of Zakat and Tax ("GAZT") issued circular No. (8676/16/1438H) dated 5 Rabi Awwal 1438H (corresponding to 4 December 2016) in respect of the calculation of the income tax on Saudi joint stock companies listed in Saudi Stock Exchange, based on the actual ownership interest percentage of foreigners as per the shareholders' record in Saudi Stock Exchange at the end of the year. On 5 January 2017, the Saudi Organization for Certified Public Accountants (SOCPA) issued an opinion in this respect, stating to consider zakat and income tax of the Company as an expense. It is worth mentioning that YANSAB is one of SABIC's subsidiaries which still discusses the GAZT about this circular and the process of its application.

**16 NON-CASH TRANSACTIONS**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Dividends	2,888	2,602
Capital work in progress transferred to other non-current assets	-	27,061
Capital work in progress transferred to deferred charges	-	6,146
Employees' end of service benefits transferred from related parties	7,246	1,286

**17 COMMITMENTS AND CONTINGENCIES**

	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>
Capital commitments	247,050	207,100
Letters of guarantee	10,298	14,798
	<u>257,348</u>	<u>221,898</u>

**Yanbu National Petrochemical Company (YANSAB) (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2016

**18 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 year.

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

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

**19 DIVIDENDS**

On 4 December 2014, the Board of Directors recommended to the General Assembly a distribution of cash dividend amounting SR 843.75 million (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 Saudi Stock Exchange (Tadawul) 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 9 June 2015, the Board of Directors announced the distribution of SR 562.5 million as cash dividend (SR 1 per share) for the first half of the year 2015 which representing 10% of the nominal value of the shares. The date of eligibility for this dividend distribution was to shareholders listed on Tadawul by the end of trading on 25 June 2015 with the payment of cash dividend on 13 July 2015.

On 24 December 2015, the Board of Directors recommended to the General Assembly a distribution of cash dividend amounting SR 562.5 million (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 Tadawul 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).

On 30 May 2016, the Board of Directors announced the distribution of SR 843.75 million as cash dividend (SR 1.5 per share) for the first half of the year 2016 which representing 15% of the nominal value of the shares. The date of eligibility for this dividend distribution was to shareholders listed on Tadawul by the end of trading on 15 June 2016 with the payment of cash dividend on 30 June 2016.

On 22 December 2016, the Board of Directors recommended to the General Assembly a distribution of cash dividend amounting SR 843.75 million (SR 1.5 per share) for the second half of the year 2016 which represents 15% of the nominal value of the shares. Subject to the approval of the General Assembly, the eligibility for this dividend distribution will be to shareholders listed on the Tadawul by the end of trading day of the General Assembly meeting which is expected in March 2017. The total dividends for the year ended 31 December 2016 would be SR 1,687.5 million (SR 3 per share).