



**ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2011**

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(SAUDI JOINT STOCK COMPANY)**

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## AUDITORS' REPORT

To the stockholders  
Advanced Petrochemical Company  
Dammam, Saudi Arabia.

### Scope of Audit

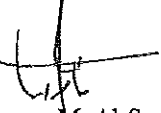
We have audited the balance sheet of Advanced Petrochemical Company (a Saudi Joint Stock Company), as of December 31, 2011 and the related statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 19 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

### Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

  
Nasser M. Al-Sagga  
License No. 322  
28 Safar, 1433  
January 22, 2012



ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

BALANCE SHEET  
AS OF DECEMBER 31, 2011



	Note	2011 SR	2010 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	476,474,932	456,614,085
Trade receivables		343,282,515	174,190,284
Other receivables, advances and prepayments	4	30,969,905	23,253,918
Inventories	5	155,837,012	165,909,731
<b>Total current assets</b>		<b>1,006,564,364</b>	<b>819,968,018</b>
<b>Non-current assets</b>			
Long term receivable	8	18,291,667	15,000,000
Property, plants and equipment	6	2,279,685,833	2,418,666,920
Intangible assets	7	75,539,441	110,873,143
<b>Total non-current assets</b>		<b>2,373,516,941</b>	<b>2,544,540,063</b>
<b>TOTAL ASSETS</b>		<b>3,380,081,305</b>	<b>3,364,508,081</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	9	407,807,474	276,869,894
Current portion of long term loans	10	175,000,000	165,000,000
Short term loan	10	-	93,750,000
Dividend payable		2,482,247	1,571,518
<b>Total current liabilities</b>		<b>585,289,721</b>	<b>537,191,412</b>
<b>Non-current liabilities</b>			
Long term loans	10	750,000,000	1,005,000,000
End-of-service indemnities	11	16,468,932	11,007,957
<b>Total non-current liabilities</b>		<b>766,468,932</b>	<b>1,016,007,957</b>
<b>Stockholders' equity</b>			
Share capital	1	1,413,750,000	1,413,750,000
Statutory reserve	16	118,230,096	66,949,704
Retained earnings	1	496,342,556	330,609,008
<b>Total stockholders' equity</b>		<b>2,028,322,652</b>	<b>1,811,308,712</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>3,380,081,305</b>	<b>3,364,508,081</b>

KHALIFA A. AL-MULHEM  
Chairman of the Board

ABDULLAH M. AL-GARAWI  
President & CEO

FAHAD A. AL-MIS'HAL  
VP-Finance & Marketing, CFO

The accompanying notes form an integral part of these financial statements

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2011



	Note	2011 SR	2010 SR
Sales		2,790,923,249	2,030,960,607
Cost of sales		(2,215,180,230)	(1,635,461,298)
<b>Gross profit</b>		<b>575,743,019</b>	395,499,309
Selling and distribution expenses	13	(18,627,730)	(18,900,136)
General and administrative expenses	14	(23,387,106)	(18,427,213)
Operating income		533,728,183	358,171,960
Finance and other charges		(22,593,869)	(32,233,221)
Other income		1,669,612	2,378,409
<b>NET INCOME</b>		<b>512,803,926</b>	328,317,148
<b>Earnings per share (note 17)</b>			
Earnings per share from net income		3.6273	2.3223
Earnings per share from continuing main operations		3.6155	2.3055
Earnings per share from other operations		0.0118	0.0168
Weighted average number of shares		141,375,000	141,375,000

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**ADVANCED PETROCHEMICAL COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2011**



	Note	Share capital SR	Statutory reserve SR	Retained Earnings SR	Total SR
January 1, 2010		1,413,750,000	34,117,989	222,515,192	1,670,383,181
Net income for the year		-	-	328,317,148	328,317,148
Transfer to statutory reserve	16	-	32,831,715	(32,831,715)	-
Dividends	1	-	-	(176,718,750)	(176,718,750)
Zakat and income tax for the year	12	-	-	(10,672,867)	(10,672,867)
December 31, 2010		1,413,750,000	66,949,704	330,609,008	1,811,308,712
Net income for the year		-	-	512,803,926	512,803,926
Transfer to statutory reserve	16	-	51,280,392	(51,280,392)	-
Dividends	1	-	-	(282,750,000)	(282,750,000)
Zakat and income tax for the year	12	-	-	(13,039,986)	(13,039,986)
December 31, 2011		<u>1,413,750,000</u>	<u>118,230,096</u>	<u>496,342,556</u>	<u>2,028,322,652</u>

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VP-Finance & Marketing, CFO

The accompanying notes form an integral part of these financial statements

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2011



المتقدمة  
Advanced

	2011 SR	2010 SR
<b>OPERATING ACTIVITIES</b>		
Net income	512,803,926	328,317,148
Adjustments for:		
Depreciation and amortization	217,595,694	211,426,326
(Gain) loss on sale of property, plants and equipment	(174,032)	11,096
Finance charges, net	22,593,869	32,233,221
End-of-service indemnities	6,622,309	4,675,353
Changes in:		
Trade receivables, other receivables, advances, prepayments and long term receivable	(180,099,885)	90,975,005
Inventories	10,072,719	14,275,889
Accounts payable and other liabilities	128,300,142	16,634,423
Cash from operating activities	717,714,742	698,548,461
End-of-service indemnities paid	(1,161,334)	(1,029,233)
Finance charges paid	(22,827,775)	(33,396,910)
Zakat and income tax paid	(10,168,642)	(10,708,171)
<b>Net cash from operating activities</b>	<b>683,556,991</b>	<b>653,414,147</b>
<b>INVESTING ACTIVITIES</b>		
Short term investments	-	12,306,572
Additions to property, plants and equipment	(23,812,375)	(40,388,085)
Increase in intangible assets	(19,483,098)	(78,958,230)
Proceeds from sale of property and equipment	188,600	5,000
<b>Net cash used in investing activities</b>	<b>(43,106,873)</b>	<b>(107,034,743)</b>
<b>FINANCING ACTIVITIES</b>		
Drawdown of short term loan	93,750,000	93,750,000
Repayment of short term loan	(187,500,000)	(93,750,000)
Repayment of long term loans	(245,000,000)	(210,000,000)
Dividends paid	(281,839,271)	(176,019,771)
<b>Net cash used in financing activities</b>	<b>(620,589,271)</b>	<b>(386,019,771)</b>
<b>Net change in cash and cash equivalents</b>	<b>19,860,847</b>	<b>160,359,633</b>
Cash and cash equivalents, beginning of the year	456,614,085	296,254,452
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>476,474,932</b>	<b>456,614,085</b>
<b>Non-cash transactions</b>		
Fixed type catalyst transferred from inventory to property, plants and equipments	-	(41,000,000)

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Chairman of the Board

ABDULLAH M. AL-GARAWI  
President & CEO

FAHAD A. AL-MIS'HAL  
VP-Finance & Marketing, CFO

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

## 1. ORGANIZATION AND ACTIVITIES

Advanced Petrochemical Company ("the Company") is a Saudi Joint Stock Company, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (October 1, 2005). The share capital of the Company is SR 1,413,750,000, divided into 141,375,000 shares of SR 10 each. The Company's registered head office is at Dammam, Saudi Arabia.

The Board of Directors ("BOD") of the Company resolved to recommend to the stockholders in the general assembly meeting held in March 2011 to pay a final cash dividend for 2010 of SR 141.4 million (2009: SR 70.6 million), which was approved by the stockholders.

In June 2011, the BOD of the Company decided to distribute dividend for 1<sup>st</sup> half of 2011 of SR 141.4 million (1<sup>st</sup> half of 2010: SR 106 million).

On December 18, 2011, the BOD resolved to recommend to the stockholders to distribute a final cash dividend for the 2<sup>nd</sup> half of 2011 of SR 141.4 million (2<sup>nd</sup> half of 2010: SR 141.4 million). Further, the BOD approved the proposal to increase the share capital from SR 1.41 billion to SR 1.64 billion through capitalization of SR 226.2 million from the retained earnings by distribution of one bonus share for every 6.25 shares. The proposal to increase in the share capital has been approved by capital market authority subsequent to the year end, however, it is subject to approval of stockholders in their general assembly meeting and completion of other associated legal formalities.

The principal activity of the Company is to manufacture polypropylene.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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:

### Accounting convention

The financial statements are prepared under the historical cost convention.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### Revenue recognition

For international markets, all products are sold to the marketers, while for local markets (Saudi Arabia and GCC countries) the products are sold through the Company. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc. Adjustments are made, as they become known to the Company. Sales in local markets are recognized upon delivery of products to customers.



#### Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company'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 direct overheads. All other inventories are valued on a weighted average cost basis.

#### Property, plants and equipment

Property, plants 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. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Plants	20
Capital spare parts	20
Buildings	33
Machinery and equipment	10
Furniture, fixtures and office equipment	4-8
Catofin catalysts	2-8
Laboratory and safety equipment	5
Vehicles and trucks	4-10
Leasehold improvements	10

#### Capital spare parts

Capital spare parts that are considered essential to ensure continuous plants operation, are classified under property, plants and equipment, and are depreciated using the straight line method in accordance with applicable rates. Spare parts are capitalized if they are not readily available in the market or unavailable, and their manufacturing requires an extended time to complete.

#### Intangible assets

Intangible assets comprise of establishment costs, listing costs and expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods. These costs also include plants testing and commissioning costs net of any proceeds from sale of off-spec production during the testing phase. Intangible assets are amortized over a period not exceeding seven years.

Planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

#### **Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its property, plants and equipment and intangible assets, 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 Company 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 (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 (cash-generating unit) is increased to the revised estimate of its recoverable amount 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

No impairment loss has been recognized from inception till December 31, 2011.

#### **End-of-service indemnities**

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

#### **Zakat and income tax**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accrual basis and charged to retained earnings. The zakat charge is computed on the Saudi stockholders' share in the zakat base. Income tax is computed on the foreign stockholders' share in the adjusted net income. 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 statement of income on a straight-line basis over the term of the operating lease.

### **3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturity of three months or less. As at December 31, 2011 and 2010, cash and cash equivalents consist entirely of cash and bank balances and Islamic investments of SR 355 million (2010: SR 283 million).

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2010



4. OTHER RECEIVABLES, ADVANCES AND PREPAYMENTS

	2011 SR	2010 SR
Advances to suppliers	14,198,261	3,540,510
Prepayments	10,838,295	8,153,573
Deposits	5,692,958	6,123,199
Others	240,391	5,436,636
	<u>30,969,905</u>	<u>23,253,918</u>

5. INVENTORIES

	2011 SR	2010 SR
Finished goods	78,207,512	70,826,291
Semi finished goods	3,374,705	15,861,758
Spare parts	55,859,052	52,723,280
Catalyst	6,968,637	17,485,515
Others	11,427,106	9,012,887
	<u>155,837,012</u>	<u>165,909,731</u>

The spare parts inventory primarily relates to plants and machinery and accordingly, this inventory is expected to be utilized over a period exceeding one year.

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2011

6. PROPERTY, PLANTS AND EQUIPMENT

	Plants		Capital spare parts		Buildings		Machinery & equipment		Furniture, fixtures & office equipment		Catalyst		Laboratory & safety equipment		Vehicles		Leasehold improvements		Capital work-in-progress		Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
<b>Cost</b>																					
January 1, 2011	2,624,453,145	35,397,345	55,225,493	16,910,672	6,665,214	82,019,185	14,707,601	4,009,712	232,492	-	2,839,620,859										
Additions	755,606	3,912,513	3,048,437	4,405,038	534,382	-	84,077	713,500	-	10,358,822	23,812,375										
Disposals	-	-	-	(156,334)	(50,955)	-	-	(654,412)	-	-	(861,701)										
December 31, 2011	2,625,208,751	39,309,858	58,273,930	21,159,376	7,148,641	82,019,185	14,791,678	4,068,800	232,492	10,358,822	2,862,571,533										
<b>Depreciation</b>																					
January 1, 2011	346,790,714	4,531,390	5,290,149	4,984,750	2,787,181	45,714,090	8,976,390	1,790,540	88,735	-	420,953,939										
Charge for year	131,254,432	1,839,308	2,191,504	3,380,841	1,045,828	18,691,027	3,659,910	692,085	23,959	-	162,778,894										
Disposals	-	-	-	(153,218)	(39,503)	-	-	(654,412)	-	-	(847,133)										
December 31, 2011	478,045,146	6,370,698	7,481,653	8,212,373	3,793,506	64,405,117	12,636,300	1,828,213	112,694	-	582,885,700										
<b>Net book value</b>																					
December 31, 2011	2,147,163,605	32,939,160	50,792,277	12,947,003	3,355,135	17,614,068	2,155,378	2,240,587	119,798	10,358,822	2,279,685,833										
December 31, 2010	2,277,662,431	30,865,955	49,935,344	11,925,922	3,878,033	36,305,095	5,731,211	2,219,172	143,757	-	2,418,666,920										

The Company has leased land for plants and buildings from the Royal Commission for Jubail and Yanbu at a nominal rent. The lease is for a term of 30 years, effective 9 Jumada'I 1426H (June 16, 2005) and is renewable for a similar period under mutually agreed terms and conditions.

Capital work in progress represents the costs incurred on construction of gridline to be used for exchange of propylene.

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2011



7. INTANGIBLE ASSETS

	2011 SR	2010 SR
January 1, 2011	199,228,943	120,270,713
Additions	19,483,098	78,958,230
December 31, 2011	218,712,041	199,228,943
<b>Amortization</b>		
January 1, 2011	88,355,800	37,535,023
Charge for year	54,816,800	50,820,777
December 31, 2011	143,172,600	88,355,800
<b>Net book value</b>		
December 31, 2011	75,539,441	110,873,143

8. LONG TERM RECEIVABLE

This mainly represents portion of the share purchase cost, which under the Employee Share Ownership Program (ESOP) will be repaid to the Company over a period of time by the employees eligible for ESOP. The detailed implementation guidelines and rules of the plan have not yet been finalized by the Company. The Company at no point becomes the legal owner of these shares.

EOSP details have not yet been finalized. Adjustments, if any, will be made once the details are finalized and approved.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2011 SR	2010 SR
Accounts payable	161,603,883	127,318,760
Accrued expenses	227,829,263	132,978,447
Advances from customers	4,022,225	5,013,778
Provision for zakat and income tax (note 12)	14,329,603	11,458,259
Retention payables	22,500	100,650
	407,807,474	276,869,894

10. BANK FACILITIES

<u>Short term loan</u>	2011 SR	2010 SR
Short term loan	-	93,750,000

In 2010, the Company obtained a short term working capital facility-Tawarq from a local bank of US\$ 50 million, equivalent to SR 187.5 million, which carried interest at LIBOR plus a margin and is renewable annually. The facility was fully repaid during the year.

ADVANCED PETROCHEMICAL COMPANY  
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2011



<u>Long term loans</u>	2011 SR	2010 SR
Saudi Industrial Development Fund ("SIDF") loan	175,000,000	295,000,000
Less: current portion	50,000,000	40,000,000
	<u>125,000,000</u>	<u>255,000,000</u>
Murabaha	750,000,000	875,000,000
Less: current portion	125,000,000	125,000,000
	<u>625,000,000</u>	<u>750,000,000</u>
December 31	<u>750,000,000</u>	<u>1,005,000,000</u>

The Saudi Industrial Development Fund granted a loan to the Company for SR 400 million. This loan is secured by personal and corporate guarantees of some key stockholders and a mortgage on all present and future assets of the Company. The loan is payable in 13 unequal semi annual installments commencing 15 Sha'aban, 1431H (July 27, 2010). The loan agreement includes covenants to maintain financial ratios and restriction on capital expenditure during the loan period. SIDF charged a front-end fee of SR 28 million.

During 2007, the Company entered into a commercial facilities agreement (CFA) wherein the investment agent (Gulf International Bank "GIB") agreed to make to the purchaser (the Company) the facilities to finance the purchase of commodities from the nominated suppliers. On May 22, 2007, the agreement was transferred into a Murabaha agreement in order to be a Shar'iah compliant facility. The total Murabaha agreement is US\$ 330 million (SR 1,238 million) comprising of a total facility of US\$ 300 million (SR 1,125 million) and the total standby facility of US\$ 30 million. The facility will be repaid in 18 successive equal semi annual installments where the first repayment date is the date falling 6 months after the project completion date or the date falling 18 months after the scheduled project completion date.

During the year, the Murabaha facility was transferred to Riyadh Bank (as investment agent) by GIB with the same repayment terms, however, the covenants have been amended.

**11. END OF SERVICE INDEMNITIES**

	2011 SR	2010 SR
Opening balance	11,007,957	7,361,837
Provision for the year	6,622,309	4,675,353
Utilization of provision	(1,161,334)	(1,029,233)
December 31	<u>16,468,932</u>	<u>11,007,957</u>

## 12. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	2011 SR	2010 SR
Non-current assets	2,373,516,941	2,544,540,063
Non current liabilities	766,468,932	1,016,007,957
Share capital	1,413,750,000	1,413,750,000
Net income	512,803,926	328,317,148
Dividends paid	281,839,271	176,019,771
Spare parts	55,859,052	52,723,280

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

The movement in zakat and income tax provision is as follows:

	2011 SR	2010 SR
<b>Zakat</b>		
Opening balance	11,109,510	11,493,563
Provision for the year	13,428,928	11,109,510
Over provision for prior year	(1,124,229)	(785,392)
Paid during the year	(9,985,281)	(10,708,171)
December 31	<u>13,428,928</u>	<u>11,109,510</u>
	2011 SR	2010 SR
<b>Income tax</b>		
Opening balance	348,749	-
Provision for the year	900,675	348,749
Over provision for prior year	(165,388)	-
Paid during the year	(183,361)	-
December 31	<u>900,675</u>	<u>348,749</u>

The charge for the year for zakat and income tax is as follows:

	2011 SR	2010 SR
Zakat for the current year	13,428,928	11,109,510
Income tax for the current year	900,675	348,749
Over provision for zakat in prior year	(1,124,229)	(785,392)
Over provision for income tax in prior year	(165,388)	-
Charged to retained earnings	<u>13,039,986</u>	<u>10,672,867</u>

### Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2010, settled zakat and income tax as per the return and obtained the required certificates and official receipts.

### 13. SELLING AND DISTRIBUTION EXPENSES

	2011 SR	2010 SR
Terminal and handling expenses	18,423,171	18,555,690
Others	204,559	344,446
	<u>18,627,730</u>	<u>18,900,136</u>

### 14. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Salaries and related benefits	14,778,193	10,318,680
Professional charges	2,987,126	2,044,418
Depreciation	692,245	662,677
Rent expenses	165,722	175,979
Others	4,763,820	5,225,459
	<u>23,387,106</u>	<u>18,427,213</u>

### 15. OPERATING LEASE CONTRACT

The Company has leased land from the Royal Commission for Jubail and Yanbu, for building the plants and other facilities at an annual rent of SR 0.6 million. This lease expires in the 1456H, with an option for renewal.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2011 SR	2010 SR
Not later than one year	650,335	650,335
Year two	650,335	650,335
Year three	650,335	650,335
Year four	650,335	650,335
Year five	650,335	650,335
Later than five years	13,006,690	13,657,025
Net minimum lease payments	<u>16,258,365</u>	<u>16,908,700</u>

### 16. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and articles of association, 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 year by the weighted average number of shares outstanding during the year ended December 31, 2011 amounting to 141.4 million shares (2010: 141.4 million shares).

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

Earning per share from other operations is computed by dividing the other income for the year by the weighted average number of shares outstanding.

#### 18. CONTINGENCIES

	2011 SR	2010 SR
Letters of guarantee (in favor of Saudi Aramco for the propane and gas sales supply agreements and others)	<u>451,950,000</u>	<u>325,387,500</u>

#### 19. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.