

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2015 AND INDEPENDENT
AUDITORS' LIMITED REVIEW REPORT

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015

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LIMITED REVIEW REPORT

January 18, 2016

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan):
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim balance sheet of Saudi Kayan Petrochemical Company (Saudi Kayan) (the "Company") as of December 31, 2015 and the interim income statement for the three-month period and year ended December 31, 2015, and the interim statements of cash flows and changes in shareholders' equity for the year then ended and the related notes which form an integral part of these interim financial statements. 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 standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited 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 such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in 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 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 Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over a horizontal line.

By: _____

Omar M. Al Sagga
License Number 369

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Interim balance sheet
(All amounts in Saudi Riyals in thousands unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
		(Unaudited)	(Audited)
Assets			
Current assets			
Cash and cash equivalents	3	1,719,526	1,654,342
Accounts receivable	6	2,061,182	2,730,464
Inventories	4	1,679,778	2,332,340
Prepayments and other receivable	6	564,366	641,077
		<u>6,024,852</u>	<u>7,358,223</u>
Non-current assets			
Investment		161,949	161,696
Property, plant and equipment		35,499,228	37,251,146
Intangible assets		127,936	72,528
Other non-current assets		386,704	376,416
		<u>36,175,817</u>	<u>37,861,786</u>
Total assets		<u>42,200,669</u>	<u>45,220,009</u>
Liabilities			
Current liabilities			
Current portion of long-term borrowings	5	2,153,408	2,123,473
Accounts payable	6	1,028,880	825,697
Accrued and other liabilities		1,064,174	910,148
		<u>4,246,462</u>	<u>3,859,318</u>
Non-current liabilities			
Long-term borrowings	5	24,830,362	26,981,730
Other non-current liabilities		317,930	330,041
		<u>25,148,292</u>	<u>27,311,771</u>
Total liabilities		<u>29,394,754</u>	<u>31,171,089</u>
Shareholders' equity			
Share capital		15,000,000	15,000,000
Statutory reserve		49,408	49,408
Accumulated deficit		(2,243,493)	(1,000,488)
Total shareholders' equity		<u>12,805,915</u>	<u>14,048,920</u>
Total liabilities and shareholders' equity		<u>42,200,669</u>	<u>45,220,009</u>
Contingencies and commitments	8		

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Interim income statement
(All amounts in Saudi Riyals in thousands unless otherwise stated)

	Note	For the three-month period ended December 31,		For the year ended December 31,	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Sales		1,879,359	2,526,035	7,975,715	11,636,030
Cost of sales		<u>(2,247,568)</u>	<u>(2,258,170)</u>	<u>(8,184,754)</u>	<u>(10,660,433)</u>
Gross (loss) profit		(368,209)	267,865	(209,039)	975,597
Selling, general and administrative expenses		<u>(107,316)</u>	<u>(123,150)</u>	<u>(384,491)</u>	<u>(452,816)</u>
(Loss) income from operations		(475,525)	144,715	(593,530)	522,781
Other (expenses) income					
Share in net income (loss) of an associate		37	(58)	253	(304)
Financial charges		<u>(147,375)</u>	<u>(139,025)</u>	<u>(573,643)</u>	<u>(522,778)</u>
Other, net		<u>(928)</u>	<u>15,861</u>	<u>6,962</u>	<u>32,552</u>
(Loss) income before zakat		(623,791)	21,493	(1,159,958)	32,251
Zakat		<u>(344)</u>	<u>(9,711)</u>	<u>(83,047)</u>	<u>(76,956)</u>
Net (loss) income for the period / year		<u>(624,135)</u>	11,782	<u>(1,243,005)</u>	<u>(44,705)</u>
(Loss) earnings per share (Saudi Riyals):					
Operating (loss) income		<u>(0.317)</u>	0.096	<u>(0.396)</u>	0.349
Net (loss) income for the period / year		<u>(0.416)</u>	0.008	<u>(0.829)</u>	<u>(0.030)</u>
Weighted average number of shares outstanding (in thousands)	7	<u>1,500,000</u>	1,500,000	<u>1,500,000</u>	<u>1,500,000</u>

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Interim cash flow statement
(All amounts in Saudi Riyals in thousands unless otherwise stated)

	<u>For the year ended December 31,</u>	
	2015	2014
	(Unaudited)	(Audited)
Cash flow from operating activities		
(Loss) income before zakat	(1,159,958)	32,251
<u>Adjustments for non-cash items</u>		
Provision for slow moving and obsolete spare parts and supplies	175,284	-
Depreciation and amortization	2,477,457	2,427,253
Share of net (income) loss of an associate	(253)	304
Financial charges	573,643	522,778
Employee benefits	54,278	48,768
<u>Changes in working capital</u>		
Accounts receivable	669,282	468,821
Inventories	298,359	(175,725)
Prepayments and other receivable	76,711	94,255
Accounts payable	192,183	(572,747)
Accrued and other current and non-current liabilities	88,725	(100,816)
	3,445,711	2,745,142
Zakat paid	(76,022)	(84,188)
Financial charges paid	(565,396)	(493,300)
Employee benefits paid	(5,361)	(7,946)
Net cash generated from operating activities	2,798,932	2,159,708
Cash flow from investing activities		
Additions to property, plant and equipment	(508,113)	(529,513)
Additions to intangible assets	(93,914)	(89)
Other non-current assets	(10,288)	(240,495)
Net cash used in investing activities	(612,315)	(770,097)
Cash flow from financing activity		
Net repayment of long-term borrowings	(2,121,433)	(4,584)
Net increase in cash and cash equivalents	65,184	1,385,027
Cash and cash equivalents at beginning of year	1,654,342	269,315
Cash and cash equivalents at end of year	1,719,526	1,654,342
Supplemental cash flow information		
<u>Non-cash investing activity</u>		
• Capital spares transferred from inventories to property, plant and equipment	178,919	19,145

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals in thousands unless otherwise stated)

	Share capital	Statutory reserve	Accumulated deficit	Total
January 1, 2015 (Audited)	15,000,000	49,408	(1,000,488)	14,048,920
Net loss for the year	-	-	(1,243,005)	(1,243,005)
December 31, 2015 (Unaudited)	15,000,000	49,408	(2,243,493)	12,805,915
January 1, 2014 (Audited)	15,000,000	49,408	(955,783)	14,093,625
Net loss for the year	-	-	(44,705)	(44,705)
December 31, 2014 (Audited)	15,000,000	49,408	(1,000,488)	14,048,920

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month period and year ended December 31, 2015 (Unaudited)
(All amounts in Saudi Riyals in thousands unless otherwise stated)

1. General information

Saudi Kayan Petrochemical Company (Saudi Kayan) (the "Company") is engaged in investing in industrial projects in the petrochemical and chemical fields. The Company is also providing support and maintenance of the utilities related to these plants.

The Company is listed on the Saudi Arabian stock market and is 35% owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public. The Company operates under commercial registration No. 2055008450 issued in Al Jubail on 26 Jumada'l 1428 H (June 12, 2007). The registered address of the Company is P.O. Box 10302, Al-Jubail Industrial City, the Kingdom of Saudi Arabia.

During the three-month period and year ended December 31, 2015, the Company:

- received an approval of additional feedstock allocation from the Ministry of Petroleum and Mineral Resources effective from July 1, 2015. Approval was subject to meeting certain conditions including capital projects and operational requirements and reduction of the marketing fee from SABIC which has already been agreed upon; and
- incurred turnaround and related costs of Saudi Riyals 605.1 million, out of which Saudi Riyals 245.1 million, directly related to scheduled turnaround, have been capitalized under property, plant and equipment in the accompanying 2015 balance sheet. Remaining costs of Saudi Riyals 360.0 million, associated with the turnaround and arising due to other technical matters, were charged to cost of sales in the accompanying 2015 income statement.

The accompanying interim financial statements were authorized for issue by the Board of Directors on January 13, 2016 and reauthorized for issue on January 18, 2016 for a matter disclosed in Note 9 to the interim financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented.

2.1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Company for preparing such interim financial statements are consistent with the accounting policies described in the 2014 annual audited financial statements of the Company.

These interim financial statements and notes should be read in conjunction with the annual audited financial statements and the related notes for the year ended December 31, 2014.

2.2 Critical accounting estimates and judgments

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Assessment of impairment provision for non-financial assets (principally property, plant and equipment) and determination of lowest level of cash generating units have significant risk of causing a material adjustment to the carrying amounts of assets within the next reporting period.

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Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the Company operates, changes in market interest rates and economic performance of the assets. The recoverable amounts of cash generating units are determined based on value-in-use calculations which require the use of estimates. Management considers the Company as a single cash generating unit for the purposes of impairment reviews.

2.3 Foreign currency translations

(a) Reporting currency

These interim financial statements are presented in Saudi Riyals, which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "Selling, general and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "Selling, general and administrative expenses" in the income statement.

2.6 Inventories

Inventories are stated at the lower of cost or net realizable value and net of provision for slow moving and obsolete items.

Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Provision for slow-moving and obsolete inventory is made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

2.7 Investment in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's share of its associates' post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for assets under construction which are carried at cost. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over their respective estimated useful lives.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements for betterments, if any, are capitalized and the assets so replaced are retired.

Planned turnaround costs are deferred and depreciated 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 undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

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

2.9 Intangible assets

Intangible assets and their expected amortization periods are as follows:

Employee home ownership - site development costs

Employee home ownership - site development costs are amortized using the straight-line method over a period of five years.

Pre-operating costs

Pre-operating costs include costs incurred prior to commencement of commercial operations of the plants and are being amortized over a period of seven years on a straight-line basis beginning from the commencement of commercial operations of each plant.

2.10 Impairment of non-financial assets

Non-financial assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment loss recognized on goodwill, if any, is not reversible.

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2.11 Borrowings

Borrowings are recognized at the proceeds received net of transaction cost incurred. Borrowings are subsequently carried at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period using effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets until such time as the assets are ready for their intended use. Other borrowing costs are charged to the income statement.

2.12 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.13 Provision

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.14 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Provision for zakat for the Company is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law.

2.15 Technology and innovation

Technology and innovation costs are expensed when incurred.

2.16 Employee benefits

Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law and Company's Policies are accrued by the Company and are charged to the income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

Employees' home ownership programme

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

Unsold housing units constructed for eventual sale to eligible employees are capitalized 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 programme 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 title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Company.

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Employees' saving plan

The Company maintains an employees' saving plan. The contributions from the participants are deposited in a separate bank account and provision is established for the Company's contribution.

2.17 Revenues

Substantially all product sales are made to SABIC (the "Marketer") under a marketing agreement. Upon delivery of the products to the Marketer, sales are recorded at provisional selling prices which are later adjusted based on actual selling prices received by the Marketer from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company. Revenues from third parties are recorded at the time of delivery of the products.

2.18 Selling, general and administrative expenses

Selling, general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, general and administrative expenses and production costs, when required, are made on a consistent basis. Selling expenses are primarily for freight and storage of the Company's products.

2.19 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve after recovering from accumulated deficit, until such reserve equal 50% of its share capital. No such transfer was made during the years ended December 31, 2015 and 2014 due to accumulated deficits at end of such years. This reserve currently is not available for distribution to the shareholders of the Company.

2.20 Operating leases

Rental expenses under operating leases is charged to the income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2.21 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

Substantially all of the Company's sales are made to one customer in Saudi Arabia and substantially all of the Company's operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographical and operating segments has not been presented.

2.22 Reclassification

Planned turnaround costs amounting to Saudi Riyals 95.1 million included under 'Intangible assets' at December 31, 2014 have been reclassified to 'Property, plant and equipment' as at that date for better presentation and to conform with 2015 presentation.

3. Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances and include Saudi Riyals 1,323.8 million (2014: 1,038.8 million) held as reserve for the debt servicing (including principal repayments) under certain financing arrangements.

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4. Inventories

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Chemicals, raw and packing materials	139,030	216,638
Spare parts and supplies, not held for sale	845,170	814,276
Intermediate and finished products	813,871	1,234,438
Goods in transit	56,991	66,988
	<u>1,855,062</u>	<u>2,332,340</u>
Less: Provision for slow moving spare parts and supplies	<u>(175,284)</u>	<u>-</u>
	<u>1,679,778</u>	<u>2,332,340</u>

Intermediate and finished products inventories at December 31, 2015 include inventories amounting to Saudi Riyals 469.6 million (2014: Saudi Riyals 297.7 million) which are carried at net realizable values after making adjustments of Saudi Riyals 159.9 million (2014: Saudi Riyals 113.4 million).

5. Long-term borrowings

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Public Investment Fund (PIF)	2,500,781	2,800,875
Islamic Facility Agreement (IFA)	3,257,097	3,500,509
Commercial Facility	2,294,896	2,466,400
Export Credit Agency (ECA)	4,546,114	5,695,690
Islamic Working Capital Facility	2,414,088	2,414,103
Saudi Industrial Development Fund (SIDF)	1,080,000	1,380,000
Subordinated loans	11,100,000	11,100,000
	<u>27,192,976</u>	<u>29,357,577</u>
Less: unamortized transaction costs	<u>(209,206)</u>	<u>(252,374)</u>
	<u>26,983,770</u>	<u>29,105,203</u>

Long term borrowings are presented as follows:

Current maturity under current liabilities	2,153,408	2,123,473
Long term borrowings	24,830,362	26,981,730
	<u>26,983,770</u>	<u>29,105,203</u>

Movements in unamortized transaction costs are as follows:

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
January 1	252,374	281,295
Transaction costs	-	19,645
Less: amortization	<u>(43,168)</u>	<u>(48,566)</u>
December 31	<u>209,206</u>	<u>252,374</u>

Related to:

Current maturity shown under current liabilities	41,113	41,113
Shown under long term borrowings	<u>168,093</u>	<u>211,261</u>

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The above loans are secured either by mortgage of the assets of the Company or guarantees provided by SABIC. Also, the subordinated loans above include long-term borrowings from SABIC amounting to Saudi Riyals 2.9 billion (2014: Saudi Riyals 2.9 billion). In accordance with the support agreement with SABIC, SABIC will maintain 35% ownership in the Company during the repayment period of these borrowings.

These loans bear financial charges at prevailing market rates and an agreed margin. The repayments of such borrowings are spread over a period of fourteen years from the date of the balance sheet. The covenants of the borrowing facility with SIDF require the Company to maintain certain level of financial conditions, limiting the dividends distribution and annual capital expenditure above certain limits.

The carrying values of the long-term borrowings are denominated in following currencies:

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Saudi Riyals	12,180,000	12,480,000
United States dollars	15,012,976	16,877,577
	<u>27,192,976</u>	<u>29,357,577</u>

6. Related parties matters

The Company enters into transactions with SABIC and its related parties (collectively the "related parties").

6.1 Related party transactions

- a) The Company obtained procurement services including warehousing, transporting and arranging for delivery of materials related to the Company's spare parts, supplies and materials, which are provided by SABIC through the Shared Service Organization (SSO).
- b) In addition to procurement services, SSO also provides accounting, human resources, information technology, engineering, and other general services to the Company.
- c) SABIC Terminal Services Limited (Sabtank) provides shipping and material handling services to the Company.
- d) Certain feedstocks were purchased from related parties of SABIC.
- e) SABIC also provides the Company with certain required technology and innovation, administrative and other services in accordance with executed agreements.
- f) SABIC also charged finance charges, guarantee fees and commitment fees to the Company in relation to the subordinated loans.
- g) Substantially, all product sales are made to SABIC under marketing and off-take agreements. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted, on a monthly basis, to actual selling prices received by SABIC from their customers after deducting shipping, distribution and selling cost, and a marketing fee to cover all other marketing expenses.
- h) During the year ended December 31, 2015, the Company was charged approximately Saudi Riyals 1,211 million (2014: Saudi Riyals 1,539 million) for all above services and feedstock.

6.2 Related parties balances

- a) Accounts receivable

Accounts receivable include balances amounting to Saudi Riyals 2,024 million (2014: Saudi Riyals 2,720 million) receivable from SABIC.

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b) Other receivables from related parties

Prepayments and other receivable include the following balances receivable from the related parties:

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
SABIC	253,767	529,808
Current maturity of a loan to an associate	151,875	-
Other	1,843	2,772
	<u>407,485</u>	<u>532,580</u>

c) Payable to related parties

Accounts payable include the following balances payable to the related parties:

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
SABIC	769,463	466,698
Other	4,695	5,874
	<u>774,158</u>	<u>472,572</u>

7. (Loss) earnings per share

(Loss) earnings per share for the three-month period and year ended December 31, 2015 and 2014 has been computed by dividing the operating (loss) income and net (loss) income for such periods by weighted average number of 1,500 million shares outstanding during such periods.

8. Contingencies and commitments

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Letters of guarantee	<u>15,121</u>	<u>14,917</u>

The capital expenditure contracted by the Company but not incurred till December 31, 2015 was approximately Saudi Riyals 537.8 million (2014: Saudi Riyals 532.0 million).

9. Subsequent events

On January 16, 2016, a fire incident happened in one of the industrial waste storage tanks in the utilities' unit of the Company, which was extinguished and controlled immediately, without any casualty and impact on the Company's operations.

The Company's management is currently evaluating the financial impact of this incidence, which is not expected to be significant. In addition, the Company's property, plant and equipment are adequately insured.