

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)
31 MARCH 2016

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THREE-MONTH PERIOD ENDED 31 MARCH 2016

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**REVIEW REPORT ON THE INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The Shareholders
Sahara Petrochemicals Company
(A Saudi Joint Stock Company)
Al-Jubail, Kingdom of Saudi Arabia

Scope of review:

We have reviewed the accompanying interim consolidated balance sheet of Sahara Petrochemicals Company ("the Company") and its subsidiary (collectively referred to as the "Group") as at 31 March 2016, the related interim consolidated statement of income, the interim consolidated statement of cash flows for the three-months period then ended and the attached notes 1 to 10 which form an integral part of these interim consolidated financial statements. These interim consolidated 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. Our responsibility is to provide a conclusion on the review of these interim consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of analytical procedures applied to financial data and information and making inquiries of Company's personnel 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.

Review conclusion:

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

Al Khobar, 12 Rajab 1437 H
Corresponding to: 19 April 2016 G



SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016
(Expressed in Saudi Arabian Riyals in thousands)

	Note	At 31 March 2016 (Unaudited)	At 31 December 2015 (Audited)	At 31 March 2015 (Unaudited)
ASSETS				
Current Assets:				
Cash and cash equivalents		1,138,596	1,042,011	1,731,077
Murabaha deposits		420,000	340,000	100,000
Trade receivables	5	325,088	278,160	172,761
Inventories		256,689	282,283	268,585
Prepayments and other current assets		90,797	90,213	213,563
Total Current Assets		2,231,170	2,032,667	2,485,986
Non Current Assets:				
Investments in and advances to equity accounted investees	7	2,501,411	2,593,951	2,801,756
Available for sale investments	8	316,342	220,483	-
Project development costs		1,583	1,575	1,613
Property, plant and equipment		3,607,686	3,612,563	3,496,936
Intangible assets		28,977	29,810	36,041
Total Non Current Assets		6,455,999	6,458,382	6,336,346
Total Assets		8,687,169	8,491,049	8,822,332
LIABILITIES AND EQUITY				
Current Liabilities:				
Short term loans		-	-	75,000
Current maturity of long term borrowings	4	112,303	112,303	112,303
Trade payables		30,928	33,696	85,610
Accrued expenses and other current liabilities		309,958	186,484	238,815
Dividends payable		-	-	372,976
Provision for Zakat and income tax		44,554	37,554	43,314
Total Current Liabilities		497,743	370,037	928,018
Non Current Liabilities:				
Long term borrowings	4	1,922,995	1,921,629	1,914,401
Employees' end of service benefits		64,890	65,644	54,534
Deferred revenue		58,852	59,771	-
Total Non Current Liabilities		2,046,737	2,047,044	1,968,935
Total Liabilities		2,544,480	2,417,081	2,896,953
Equity				
Equity attributable to the shareholders of the Company:				
Share capital		4,387,950	4,387,950	4,387,950
Statutory reserve		202,169	202,169	197,851
Fair value reserve		1,468	-	-
Retained earnings		963,599	909,047	820,679
Total shareholders' equity		5,555,186	5,499,166	5,406,480
Non-controlling interest		587,503	574,802	518,899
Total equity		6,142,689	6,073,968	5,925,379
Total liabilities and equity		8,687,169	8,491,049	8,822,332

Rushdi Khalid Al-Dulijan
General Manager Finance & IT

Saleh bin Mohammed Bahamdan
Chief Executive officer

The accompanying notes 1 through 10 form an integral part of these financial statements.

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THREE-MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Arabian Riyals in thousands)

	2016 (Unaudited)	2015 (Unaudited)
Sales	418,572	262,667
Cost of sales	(309,996)	(225,460)
Gross Profit	108,576	37,207
Operating expenses:		
Selling and distribution	(28,742)	(18,566)
General and administrative	(20,640)	(20,690)
	(49,382)	(39,256)
Operating income/(loss)	59,194	(2,049)
Other income/(expenses)		
Share of profit/(loss) from equity accounted investees	21,385	(4,769)
Financial charges	(16,960)	(56,564)
Others-net	10,634	3,026
Income/(loss) before Zakat and non-controlling interest	74,253	(60,356)
Zakat charge	(7,000)	(2,000)
Net income/(loss) before non-controlling interest	67,253	(62,356)
Non-controlling interest	(12,701)	12,852
Net income/(loss) for the period	54,552	(49,504)
Earnings per share:		
Operating income/(loss)	0.135	(0.003)
Net income/(loss)	0.124	(0.113)

Rushdi Khalid Al-Dulijan
Chief Financial Officer

Saleh bin Mohammed Bahamdan
President

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SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE-MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Arabian Riyals in thousands)

	2016 (Unaudited)	2015 (Unaudited)
Cash flow from operating activities:		
Net income/(loss) for the period	54,552	(49,504)
<i>Adjustment to reconcile net income/(loss) to net cash provided by operating activities:</i>		
Depreciation and amortization	53,472	48,582
Share of (profit)/loss from equity accounted investees	(21,385)	4,769
Income attributable to non controlling interest	12,701	(12,852)
Gain on disposal of property, plant and equipment	(264)	-
Changes in operating assets and liabilities:		
Trade receivables	(46,928)	74,959
Inventories	25,594	27,849
Prepayments and other current assets	(584)	79,976
Trade payables	(2,768)	(10,147)
Provision for Zakat and income tax-net	7,000	2,000
Accrued expenses and other current liabilities	122,555	31,480
Employees' end of service benefits-net	(754)	2,941
Net cash provided by operating activities	203,191	200,053
Cash flow from investing activities:		
Murabaha deposits	(80,000)	701
Available for sale investments	(94,391)	-
Dividends received from equity accounted investees	113,925	-
Projects development costs	(8)	-
Additions to property, plant and equipment	(46,396)	(77,400)
Additions to intangible assets	-	(1,342)
Proceeds from disposal of property, plant and equipment	264	-
Net cash (used in) investing activities	(106,606)	(78,041)
Cash flow from financing activities:		
Proceeds from short term loan	-	75,000
Proceeds from long term borrowings	-	1,964,000
Repayments of long term borrowings	-	(1,670,681)
Net cash used in financing activities	-	368,319
Net increase in cash and cash equivalents	96,585	490,331
Cash and cash equivalents at the beginning of the period	1,042,011	1,240,746
Cash and cash equivalent at the end of the period	1,138,596	1,731,077

Rushdi Khalid Al-Dulijan
Chief Financial Officer

Saleh bin Mohammed Bahamdan
President

The accompanying notes 1 through 10 form an integral part of these financial statements.

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THREE-MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Arabian Riyals in thousands)

1. ACTIVITIES:

Sahara Petrochemicals Company (the "Company") is a Saudi Joint Stock Company and registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 1010199710 issued in Riyadh on 19 Jumada'I 1425 H (7 July 2004). The registered address of the Company is P.O. Box 251, Riyadh 11411, Kingdom of Saudi Arabia.

The Company is principally involved in investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

These interim consolidated financial statements include the accounts of the Company and its subsidiary 'Al Waha Petrochemicals Company ("Al Waha"), (collectively the "Group"). Al Waha is a Saudi limited liability company operating under CR No. 2055007751 issued in Dammam on 9 Shaban 1427 H (3 September 2006), and is owned 75% by the Company and 25% by Basell Arabian Investment ("Basell"). Al Waha owns and operates a petrochemicals complex that produces propylene as primary feedstock for the production of polypropylene.

The Group also holds equity interests in the following associates which are primarily involved in manufacturing of petrochemicals products:

Name	<u>Effective equity interest %</u>	
	2016	2015
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	50.00	50.00
Saudi Acrylic Acid Company ("SAAC")	43.16	43.16
Tasnee and Sahara Olefins Company ("TSOC")	32.55	32.55

All the above companies are incorporated in Kingdom of Saudi Arabia.

These interim consolidated financial statements include all adjustments considered necessary by the Group's management in order to present a fair statement of its financial position, results of its operations and its cash flows. The interim results of the operations for the three periods ended 31 March 2016 may not represent a proper indication for the annual results of operations. These interim consolidated financial statements and notes should be read in conjunction with the annual audited interim consolidated financial statements and the related notes for the year ended 31 December 2015.

These interim consolidated financial statements were approved by the Board of Directors and signed on their behalf by the Company's management on April 19, 2016.

2. BASIS OF PREPARATION

a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

b) Basis of measurement

The interim consolidated financial statements have been prepared on historical cost basis, with exception of available-for-sale investments and derivative financial instruments that are measured at fair value, using the accrual basis of accounting and the going concern concept. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2015 annual audited consolidated financial statements of the Group.

c) Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March each period. The financial statements of the subsidiary is prepared for the same reporting period as the Company.

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential

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2. BASIS OF PREPARATION (continued)

c) Basis of consolidation (continued)

voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group/Company transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

ii) *Non-controlling interest*

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

d) Functional and presentation currency

These interim consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Group. All amounts have been rounded to the nearest thousands, unless otherwise stated.

e) Use of estimates and judgments

The preparation of the interim consolidated financial statements in conformity with generally accepted accounting standards 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the interim consolidated financial statements are as follows:

i) *Impairment of trade receivables*

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

ii) *Provision for slow moving inventory items*

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of period.

iii) *Useful lives of property, plant and equipment*

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

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2. BASIS OF PREPARATION (continued)

e) Use of estimates and judgments (continued)

iv) Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and 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 statement of income. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

v) Impairment of available for sale investments

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the interim consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the interim consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the interim consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies adopted and consistently applied to all periods presented are as follows:

a) 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.

b) Murabaha deposits

Murabaha deposits are deposits with banks having maturities of more than three months but less than a year from date of placement.

c) Trade receivables

Trade receivables 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 Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the interim consolidated statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recovery of receivable amounts previously written off are credited to the interim consolidated statement of income.

d) Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products includes 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 estimated costs of completion and estimated selling expenses. Appropriate provisions are made for slow moving and redundant inventories.

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(Expressed in Saudi Arabian Riyals in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

e) Investments

i) Investments in associated and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investee), which are initially recognized at cost including goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

The Group's share in its investees' post-acquisition income and losses is recognized in the interim consolidated statement of income and its share in post-acquisition movements in reserves is recognized in the Group's equity. When the Group's share of losses exceeds its interest in an equity accounted investee, the Company's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealized gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group'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 interim consolidated statement of income.

ii) Available-for-sale investments

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the interim consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the interim consolidated balance sheet date.

f) Projects development costs

Projects development costs represent costs related to undertake various new industrial projects.

g) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Depreciation is charged to the interim consolidated statement of income on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment.

The estimated useful lives of assets for current and comparative periods are as follows:

	<u>Years</u>
Buildings and leasehold land improvements	33
Plant, machinery and equipment	10-25
Furniture, fixtures and office equipment	3-10
Vehicles	4

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(Expressed in Saudi Arabian Riyals in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

g) Property, plant and equipment (continued)

Capital work in progress is stated at cost less impairment, if any, and is not depreciated until the asset is brought into commercial operations.

Leasehold land improvements are amortized on a straight line basis over the shorter of its useful life or the term of the lease.

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

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

Planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround which is usually within 3 to 5 years. 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.

h) Intangible assets

Software costs - Expenditure to acquire computer software and licenses are capitalized and amortized using the straight-line method over the useful life of four years. Licenses are carried at costs less accumulated amortization.

i) Long term borrowings

Loans are recognized at the proceeds received net of transaction costs incurred. Loans are subsequently carried at amortised cost. Any differences between the proceeds (net of transactions costs) and the redemption value is recognized in the interim consolidated statement of income over the period using straight line 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 the assets are ready for their intended use. Other borrowing costs are charged to the interim consolidated statement of income.

j) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on assets associated with that contract.

k) Accounts payable and accruals

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

l) Zakat and income-tax

The Group is subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Provision for zakat for the Company and zakat related to the Company's ownership in Al Waha is charged to the statement of income. Foreign shareholder of Al Waha is subject to income taxes. Provision for income tax is charged to non-controlling interest in these interim consolidated balance sheet. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Group withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payments to the foreign shareholder, as required under the Saudi Department of Zakat and Income Tax ("DZIT") regulations.

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(Expressed in Saudi Arabian Riyals in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

m) Employee benefits

i) *Employees' end of service benefits*

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the interim consolidated statement of income. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Saudi Arabia.

ii) *Employees' home ownership program*

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

Costs incurred on the construction of houses are accumulated and recorded as capital work-in-progress under property, plant and equipment till the time the construction is completed. When the houses are transferred to the employees, the respective costs are transferred from property, plant and equipment to other non-current assets. Costs of unallocated houses are capitalized and depreciated. Down payments and installments of purchase price received from employees are adjusted against the other non-current assets and the title is transferred upon completion of receipt of all the installments.

n) Derivative financial instruments

Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognized in the interim consolidated statement of income as they arise and the resulting positive and negative fair values are reported under current assets and liabilities, respectively, in the interim consolidated balance sheet.

Changes in fair value of derivative financial instruments that qualify for cash flow hedges accounting are recorded as derivative financial instruments in the interim consolidated balance sheet and taken to other reserves in shareholders' equity.

When the hedging instrument matures or expires or the hedge ceases to be effective, any associated accumulated gain or loss in other reserves is reclassified to profit or loss in the same period during which the hedged item affects profit or loss.

o) Revenues

Revenues from sale of goods to third parties are recorded at the time of delivery of the products. Products are also sold to the minority shareholder in Al Waha (the "Off-taker") under an off-take agreement. Upon delivery of the products to the Off-taker, sales are recorded at provisional selling prices which are later adjusted based on actual selling prices received by the Off-taker from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Group.

Any other income is recognized when the realization of income is virtually certain.

p) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding direct costs and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling and distribution and general and administrative expenses, when required, are made on a consistent basis.

q) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends approved by the shareholders of the Company are recorded in the interim consolidated financial statements in the period in which they are approved.

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 (Expressed in Saudi Arabian Riyals in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

r) Leases

i) Capital leases

Property, plant and equipment acquired under capital leases accounted for by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to interim consolidated statement of income by applying the straight-line method at the rates applicable to the related assets.

ii) Operating leases

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

s) Comparative reclassification

Certain comparative figures have been reclassified to conform with the current period presentation of the interim consolidated financial statements.

t) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currencies of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the interim consolidated statement of income.

u) Segment reporting

i) 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.

The Group is primarily engaged in manufacturing of petrochemicals and related products.

ii) 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.

The Group's operations are conducted principally in Saudi Arabia.

4. LONG TERM BORROWINGS

During the year 2015, Al-Waha has signed an Ijarah Facility Agreement with a syndicate of commercial banks (the "lessor") for the purpose of converting all the commercial loans into an Islamic mode of financing amounting to Saudi Riyals 1,964 million through sale and lease back of certain plant facilities. The aggregate maturity of this loan is based on the rescheduled maturity profile which is spread over the years from 2015 to 2026.

5. TRADE RECEIVABLES

Trade receivables includes balances receivable from foreign affiliates of Basell Arabia Investment Limited (a related party) amounting to Saudi Riyals 205 million as at 31 March 2016 (2015: 102 million) on account of sales made to the affiliates.

6. EARNINGS PER SHARE

Earnings per share for the quarter ended March 31, 2016 and 2015 is calculated by dividing the operating income/(loss) and net income/(loss) for the period by weighted average number of shares outstanding at the period end. Weighted average number of shares is 438,795,000 as at March 2016 (2015: 438,795,000).

SAHARA PETROCHEMICALS COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**FOR THREE-MONTHS PERIOD ENDED 31 MARCH 2016**

(Expressed in Saudi Arabian Riyals in thousands)

7. INVESTMENTS IN AND ADVANCES TO EQUITY ACCOUNTED INVESTEEES

The Group holds investments in equity accounted investees which are incorporated in the Kingdom of Saudi Arabia and primarily involved in the manufacturing of petrochemical products. Investment in and advances to equity accounted investees as at 31 March comprise of the following:

	Note	Effective equity interest %		2016	2015
		2016	2015		
Investment in equity accounted investees:					
Tasnee and Sahara Olefins Company ("TSOC")	(a)	32.55	32.55	1,889,989	1,996,182
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	(b)	50.00	50.00	299,703	400,038
Saudi Acrylic Acid Company ("SAAC")	(c)	43.16	43.16	180,075	273,892
				2,369,767	2,670,112
Advances to equity accounted investees					
SAAC	(d)			80,074	80,074
SAMAPCO				51,570	51,570
				131,644	131,644
				2,501,411	2,801,756

- a) TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Propylene, Ethylene and Polyethylene.
- b) SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic Soda, Chlorine and Ethylene Dichloride.
- c) SAAC, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Acrylic Acid and its related products.
- d) The Group has provided long term advances to equity accounted investees to finance the construction of their production facilities. Such advances are not repayable within one year and, accordingly, classified as non-current in these interim consolidated financial statements.

Movement summary of equity accounted investees are as follows:

	<u>2016</u>	<u>2015</u>
Balance as at January 1	2,593,951	2,806,525
Share of profit	21,385	(4,769)
Dividends	(113,925)	-
Balance as at March 31	<u>2,501,411</u>	<u>2,801,756</u>

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Cost	314,874	-
Impairment loss	-	-
Revised cost	314,874	-
Unrealized gain	1,468	-
Fair value	<u>316,342</u>	<u>-</u>

Fair value investments include investments of SR 150 million (2015: SR Nil) which of its cost are considered the fair value.

9. CONTINGENCIES AND COMMITMENTS

The Group has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 445 million at 31 March 2016 (2015: Saudi Riyals 455 million). The capital expenditure contracted by the Group but not yet incurred till 31 March 2016 was approximately Saudi Riyals 210 million (2015: Saudi Riyals 385 million).

SAHARA PETROCHEMICALS COMPANY**(A SAUDI JOINT STOCK COMPANY)****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****FOR THREE-MONTHS PERIOD ENDED 31 MARCH 2016****(Expressed in Saudi Arabian Riyals in thousands)****10. SEGMENT REPORTING:**

The Group is engaged in a single business activity of petrochemicals and it does not have multiple operating segments. The petrochemicals business consists of manufacturing of petrochemical products and their subsequent sales. Both of these functional activities take place (and are managed) in the Kingdom of Saudi Arabia in an integrated manner.

In assessing performance, the management reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's interim consolidated financial statements. Resources are allocated on a Group-wide basis according to need.

All sales originate in the Kingdom of Saudi Arabia. The following table shows sales made during the period to local and international customers.

	2016	2015
Saudi Arabia		
Export	308,117	173,965
Local	110,455	88,702
Total	418,572	262,667