

**METHANOL CHEMICALS COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS  
ENDED SEPTEMBER 30, 2016 AND LIMITED REVIEW REPORT**

**METHANOL CHEMICALS COMPANY  
(A Saudi Joint Stock Company)  
INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016**

	<b>Pages</b>
Limited review report	2
Interim balance sheet	3
Interim income statement	4
Interim cash flow statement	5
Notes to the interim financial statements	6 - 13



**LIMITED REVIEW REPORT**

October 19, 2016

To the shareholders of Methanol Chemicals Company:  
(A Saudi Joint Stock Company)

**Scope of review**

We have reviewed the accompanying interim balance sheet of Methanol Chemicals Company (the "Company") as of September 30, 2016 and the interim income statement for the three-month and nine-month periods ended September 30, 2016, and the interim statement of cash flows for the nine-month period 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.

**Emphasis of matter**

We draw attention to Note 7 to the accompanying interim financial statements, which outlines the impact of the restatement of the comparative financial information related to certain items of property, plant and equipment which were earlier classified as inventories and recording of related depreciation of such items.

**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Ali H. Al Basri', is written over a horizontal line.

By: \_\_\_\_\_  
Ali H. Al Basri  
License Number 409

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim balance sheet**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at September 30, 2016 (Unaudited)	As at September 30, 2015 (Unaudited) (Restated)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		158,814,015	66,690,811
Accounts receivable		142,599,083	195,503,617
Inventories	7	135,156,527	140,551,337
Prepayments and other receivable		42,022,848	27,596,362
		<u>478,592,473</u>	<u>430,342,127</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	1,963,248,550	2,098,429,540
Intangible assets		22,982,196	20,789,646
		<u>1,986,230,746</u>	<u>2,119,219,186</u>
<b>Total assets</b>		<u>2,464,823,219</u>	<u>2,549,561,313</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings		-	265,300,000
Current portion of long-term borrowings	3	45,565,741	267,294,505
Accounts payable		61,112,649	48,083,074
Accrued and other liabilities		51,183,899	49,514,018
		<u>157,862,289</u>	<u>630,191,597</u>
<b>Non-current liabilities</b>			
Long-term borrowings	3	953,220,026	429,416,880
Employees' termination benefits		29,011,718	30,160,327
		<u>982,231,744</u>	<u>459,577,207</u>
<b>Total liabilities</b>		<u>1,140,094,033</u>	<u>1,089,768,804</u>
<b>Shareholders' equity</b>			
Share capital		1,206,000,000	1,206,000,000
Share premium		72,850,071	72,850,071
Statutory reserve		44,118,693	44,118,693
Retained earnings	7	1,760,422	136,823,745
<b>Total shareholders' equity</b>		<u>1,324,729,186</u>	<u>1,459,792,509</u>
<b>Total liabilities and shareholders' equity</b>		<u>2,464,823,219</u>	<u>2,549,561,313</u>
<b>Contingencies and commitments</b>	8		

These financial statements were approved by the Company's management on October 19, 2016 and signed on its behalf by:



Khalid Sulaiman Al Obaid  
Finance Director



Saud Abdullah Al Sanea  
Chief Executive Officer



Abdullah Ali Al Sanea  
Chairman

The accompanying notes from 1 to 8 form an integral part of these interim financial statements.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim Income statement**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Sales		123,667,132	174,277,603	440,996,162	566,973,389
Cost of sales	7	(127,386,751)	(185,067,784)	(430,614,339)	(526,614,804)
Gross margin		(3,719,619)	(10,790,181)	10,381,823	40,358,585
<b>Operating expenses</b>					
Selling and distribution		(15,198,347)	(15,736,093)	(53,033,147)	(54,631,430)
General and administrative		(8,404,388)	(9,171,013)	(29,595,587)	(34,759,435)
Loss from operations	7	(27,322,354)	(35,697,287)	(72,246,911)	(49,032,280)
<b>Other (expenses) income</b>					
Financial charges		(11,667,986)	(6,805,342)	(28,746,536)	(22,439,336)
Other, net	5	(165,505)	321,372	28,471,135	(5,897,059)
Loss before zakat		(39,155,845)	(42,181,257)	(72,522,312)	(77,368,675)
Zakat		(750,000)	(750,000)	(2,250,000)	(2,250,000)
<b>Net loss for the period</b>	7	<b>(39,905,845)</b>	<b>(42,931,257)</b>	<b>(74,772,312)</b>	<b>(79,618,675)</b>
<b>Loss per share (Saudi Riyals):</b>					
Loss from operations	7	(0.23)	(0.30)	(0.60)	(0.40)
Net loss for the period	7	(0.33)	(0.36)	(0.62)	(0.66)

These financial statements were approved by the Company's management on October 19, 2016 and signed on its behalf by:

  
 Khalid Sulaiman Al Obeid  
 Finance Director

  
 Saud Abdullah Al Sanea  
 Chief Executive Officer

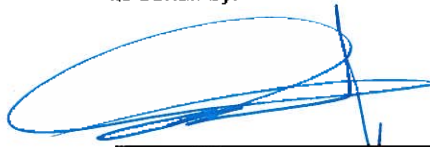
  
 Abdullah Ali Al Sanea  
 Chairman

The accompanying notes from 1 to 8 form an integral part of these interim financial statements.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim cash flow statement**  
 (All amounts in Saudi Riyals unless otherwise stated)

	For the nine-month periods ended September 30	
	2016 (Unaudited)	2015 (Unaudited) (Restated)
<b>Cash flow from operating activities</b>		
Net loss for the period	(74,772,312)	(79,618,675)
<u>Adjustments for non-cash items</u>		
Provision for doubtful debts, net	(146,710)	797
Provision for slow-moving inventories, net	3,403,467	(672,652)
Depreciation and amortization	129,802,813	132,759,288
Property, plant and equipment written-off	-	6,303,212
Gain on disposal of property, plant and equipment	(70,024)	(94,113)
Employees' termination benefits	(1,936,004)	2,319,240
<u>Changes in working capital</u>		
Accounts receivable	26,647,880	11,651,039
Inventories	(8,134,053)	(4,633,598)
Prepayments and other receivable	(4,575,774)	15,145,541
Accounts payable	9,595,540	(9,220,583)
Accrued and other liabilities	(34,709,609)	(4,189,547)
Net cash generated from operating activities	<u>45,105,214</u>	<u>69,749,949</u>
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(23,620,244)	(42,377,433)
Additions to intangible assets	(569,174)	-
Proceeds from disposal of property and equipment	313,009	505,593
Net cash utilized in investing activities	<u>(23,876,409)</u>	<u>(41,871,840)</u>
<b>Cash flow from financing activities</b>		
Proceeds from short-term borrowings	-	58,058,862
Net movement in long-term borrowings	-	(69,560,000)
Borrowing transaction costs paid	(6,509,481)	-
Repayment of short-term borrowings	3 (20,000,000)	-
Net cash utilized in financing activities	<u>(26,509,481)</u>	<u>(11,501,138)</u>
<b>Net change in cash and cash equivalents</b>	<b>(5,280,676)</b>	<b>16,376,971</b>
Cash and cash equivalents at beginning of period	<u>164,094,691</u>	<u>50,313,840</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>158,814,015</u></b>	<b><u>66,690,811</u></b>

These financial statements were approved by the Company's management on October 19, 2016 and signed on its behalf by:



**Khalid Sulaiman Al Obaid**  
Finance Director



**Saud Abdullah Al Sanea**  
Chief Executive Officer



**Abdullah Ali Al Sanea**  
Chairman

The accompanying notes from 1 to 8 form an integral part of these interim financial statements.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim financial statements**  
**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**1. General information**

Methanol Chemicals Company (the "Company" or "Chemanol") is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Aritheretol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in Kingdom of Saudi Arabia and operating under Commercial Registration (CR) No. 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428-H (January 9, 2008). The accompanying interim financial statements include the accounts of the Company and its branch registered in Dammam under CR No. 2055001870 dated 28 Dhu al-Hijjah 1409-H (August 1, 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

The accompanying interim financial statements were authorized for issue by the Company's Board of Directors on October 19, 2016.

**2. Summary of significant accounting policies**

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

**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 2015 annual audited financial statements of the Company.

The interim financial statements for the three-month and nine-month periods ended September 30, 2016 have been prepared in accordance with SOCPA's Standard of Accounting for Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present fairly the statements of the financial position, results of operations and cash flows. The interim results of the operations for the three-month and nine-month periods ended September 30, 2016 may not represent a proper indication for the annual results of operations. 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, 2015.

**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.

**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 period end exchange rates are recognized in the income statement. Net amount of such foreign exchange gains and losses for the three-month and nine-month periods ended September 30, 2016 and 2015 were not significant.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim financial statements**  
**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**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 "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 "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 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, except for capital work-in-progress which is 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 the following estimated useful lives.

	<b>Number of years</b>
• Buildings and leasehold improvements	5 - 33
• Plant, machinery and equipment	10 - 20
• Furniture, fixtures and office equipment	7 - 10
• Vehicles	4

Gains and losses on disposals are determined by comparing sale 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.



## **METHANOL CHEMICALS COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the interim financial statements**

**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)

### **2.8 Intangible assets**

Intangible assets represent costs related to the purchase of computer software and payment to acquire contractual rights to use the pipeline owned by third party for the supply of raw material. Such assets are amortized over the useful lives as follows:

	<b>Number of years</b>
• Computer software	4 - 8
• Payment to acquire contractual rights of pipeline	20

### **2.9 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 reviewed for impairment at the end of each reporting period. 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 losses on goodwill are not reversible.

### **2.10 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.

### **2.11 Accounts payable and accruals**

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

### **2.12 Provisions**

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.

### **2.13 Zakat and taxes**

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). 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 tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law.

### **2.14 Employee termination benefits**

Employee termination benefits required by Saudi Labor and Workman Law 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.

**METHANOL CHEMICALS COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the interim financial statements**

**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**

**(All amounts in Saudi Riyals unless otherwise stated)**

**2.15 Revenue**

Revenues from third parties are recorded at the time of delivery of the products. Certain products are sold to third parties (the "Marketers") under the marketing agreements. Upon delivery of the products to the Marketers, sales are recorded at provisional selling prices which are later adjusted based on actual selling prices received by the Marketers from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company.

**2.16 Selling, distribution and general and administrative expenses**

Selling, distribution and 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.

**2.17 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 until such reserve equal 30% of its share capital. Such allocation is made at the end of the fiscal year. This reserve currently is not available for distribution to the shareholders of the Company.

**2.18 Operating leases**

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

**2.19 Insurance recoveries**

Insurance recoveries are recognized as an asset when it is virtually certain that an inflow of economic benefits will arise to the Company with the corresponding impact to the income statement of the period in which the recoveries become virtually certain.

**2.20 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.

The Company is primarily engaged in manufacturing of petrochemicals and related products which is viewed by management as one business segment.

**(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.

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

**METHANOL CHEMICALS COMPANY****(A Saudi Joint Stock Company)****Notes to the interim financial statements****For the three-month and nine-month periods ended September 30, 2016 (Unaudited)****(All amounts in Saudi Riyals unless otherwise stated)****3 Long-term borrowings**

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Saudi Industrial Development Fund ("SIDF")	385,000,000	385,000,000
Project Murabaha Facility	267,685,000	297,685,000
Working Capital Murabaha Facility	369,300,000	30,000,000
	<u>1,021,985,000</u>	<u>712,685,000</u>
Less: unamortized transaction costs	<u>(23,199,233)</u>	<u>(15,973,615)</u>
	<u>998,785,767</u>	<u>696,711,385</u>

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	45,565,741	267,294,505
Long-term borrowings	<u>953,220,026</u>	<u>429,416,880</u>
	<u>998,785,767</u>	<u>696,711,385</u>

Movements in unamortized transaction costs are as follows:

	2016 (Unaudited)	2015 (Unaudited)
January 1	14,608,242	20,069,737
Additions	12,430,303	-
Less: amortization	<u>(3,839,312)</u>	<u>(4,096,122)</u>
September 30	<u>23,199,233</u>	<u>15,973,615</u>

Related to:

Current maturity shown under current liabilities	4,434,259	5,461,495
Shown under long-term borrowings	<u>18,764,974</u>	<u>10,512,120</u>
	<u>23,199,233</u>	<u>15,973,615</u>

The above borrowings bear financial charges at prevailing market rates based on Saudi interbank offered rates. The covenants of the borrowing facilities 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 Saudi Riyals.

During the nine-month period ended September 30, 2016, the Company has restructured its short-term and long-term borrowings and finalized the restructuring agreements with its lender institutions. The aggregate maturities of these loans, based on their respective revised repayment schedules, are now spread in 2017 through 2022.

**4 Loss per share**

Loss per share for the three-month and nine-month periods ended September 30, 2016 and 2015 has been computed by dividing the loss from operations and net loss for such periods by weighted average number of 120.6 million shares outstanding during such periods.

**METHANOL CHEMICALS COMPANY**

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and nine-month periods ended September 30, 2016 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

**5 Other, net**

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Insurance recoveries	-	-	28,461,613	-
Property, plant and equipment written-off	-	-	-	(6,303,212)
Other	(165,505)	321,372	9,522	406,153
	<b>(165,505)</b>	<b>321,372</b>	<b>28,471,135</b>	<b>(5,897,059)</b>

During the nine-month period ended September 30, 2016, the Company has recorded insurance recoveries of Saudi Riyals 28.5 million against a claim related to a fire incident that occurred at the Company's plant site in 2014. The insurance company has accepted the claim and has paid Saudi Riyals 10.0 million of such claim in cash and confirmed that the remaining amount will be paid in due course which is recorded by the Company as a receivable and is included under "Prepayments and other receivable" as of September 30, 2016.

**6 Reclassifications**

Following 2015 comparative financial information have been reclassified to conform to 2016 presentation:

**Balance sheet as of September 30, 2015**

	Balance as previously reported (Unaudited)	Reclassification (Unaudited)	Balance after reclassification (Unaudited)
Property, plant and equipment*	2,082,646,796	8,548,523	2,091,195,319
Inventories*	167,781,157	(17,722,544)	150,058,613
Intangible assets	11,615,625	9,174,021	20,789,646

**Income statement for the three-month period ended September 30, 2015**

	Previously reported (Unaudited)	Reclassification (Unaudited)	After reclassification (Unaudited)
Cost of sales*	187,338,165	(2,407,661)	184,930,504
Selling and distribution expenses	13,328,432	2,407,661	15,736,093

**Income statement for the nine-month period ended September 30, 2015**

	Previously reported (Unaudited)	Reclassification (Unaudited)	After reclassification (Unaudited)
Cost of sales*	531,803,299	(5,600,335)	526,202,964
Selling and distribution expenses	49,031,095	5,600,335	54,631,430

\*See Note 7 in relation to restated amounts.

**METHANOL CHEMICALS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim financial statements**  
**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**7 Restatement of comparative figures**

During the nine-month period ended September 30, 2016, the Company has restated the comparative financial information for the three-month and nine-month periods ended September 30, 2015 and as of that date to restate certain items of property, plant and equipment which were earlier classified as inventories and recording of related depreciation of such items. The consequential impact on the relevant accounts is summarized as follows:

**Balance sheet**

	Balance as of January 1, 2015 before restatement (Unaudited)	Restatement (Unaudited)	Balance as of January 1, 2015 after restatement (Unaudited)
Retained earnings	218,303,635	(1,861,215)	216,442,420
	Balance as of September 30, 2015 before restatement (Unaudited)	Restatement (Unaudited)	Balance as of September 30, 2015 after restatement (Unaudited)
Property, plant and equipment	2,091,195,319	7,234,221	2,098,429,540
inventories	150,058,613	(9,507,276)	140,551,337
Retained earnings	139,096,800	(2,273,055)	136,823,745

**Income statement**

	Three-month period ended September 30, 2015 before restatement (Unaudited)	Restatement (Unaudited)	Three-month period ended September 30, 2015 after restatement (Unaudited)
Cost of sales	184,930,504	137,280	185,067,784
Loss from operations	35,560,007	137,280	35,697,287
Net loss for the period	42,793,977	137,280	42,931,257
Loss per share (Saudi Riyals):			
Loss from operations	(0.30)	-	(0.30)
Net loss for the period	(0.36)	-	(0.36)
	Nine-month period ended September 30, 2015 before restatement (Unaudited)	Restatement (Unaudited)	Nine-month period ended September 30, 2015 after restatement (Unaudited)
Cost of sales	526,202,964	411,840	526,614,804
Loss from operations	48,620,440	411,840	49,032,280
Net loss for the period	79,206,835	411,840	79,618,675
Loss per share (Saudi Riyals):			
Loss from operations	(0.40)	-	(0.40)
Net loss for the period	(0.66)	-	(0.66)

**METHANOL CHEMICALS COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the interim financial statements**

**For the three-month and nine-month periods ended September 30, 2016 (Unaudited)**

**(All amounts in Saudi Riyals unless otherwise stated)**

**8 Contingencies and commitments**

- (i) At September 30, 2016, the Company was contingently liable for bank guarantees and letter of credit in the normal course of business amounting to Saudi Riyals 64.3 million and Saudi Riyals 0.5 million, respectively (2015: Saudi Riyals 64.4 million and Saudi Riyals 3.3 million respectively).
- (ii) The capital expenditure contracted by the Company but not incurred till September 30, 2016 was approximately Saudi Riyals 7.4 million.