

**ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015



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INDEX	PAGE
Auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of changes in shareholders' equity	4
Consolidated statement of cash flows	5-6
Notes to the consolidated financial statements	7-22

AUDITORS' REPORT TO THE SHAREHOLDERS OF ADVANCED PETROCHEMICAL COMPANY

Scope of Audit:

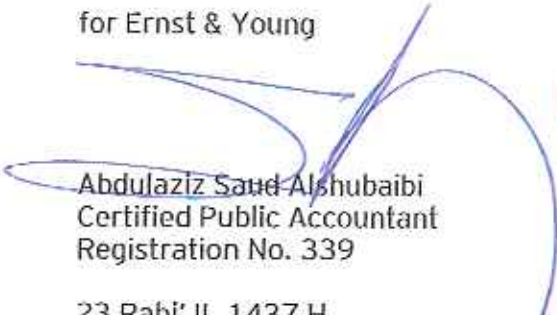
We have audited the accompanying consolidated balance sheet of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries ("the Group") as at 31 December 2015 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's board of directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion:

In our opinion, the consolidated financial statements taken as a whole:

- i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidation financial statements.

for Ernst & Young


Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339



23 Rabi' II, 1437 H
2 February 2016
Alkhobar

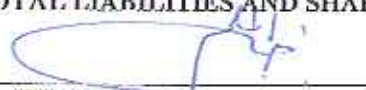
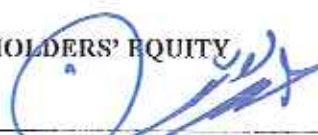

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)



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CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	4	84,984	884,004
Trade receivables		221,798	198,052
Prepayments and other receivables	5	21,917	28,931
Inventories	6	124,291	123,348
Total current assets		452,990	1,234,335
Non-current assets			
Available for sale investments	7	801,143	154,372
Investment in unconsolidated subsidiary	8	376	376
Investment in an associated company	9	421,239	222,876
Property, plant and equipment	10	2,179,171	2,170,003
Intangible assets	11	5,128	18,058
Other non-current assets	12	26,006	28,180
Total non-current assets		3,433,063	2,593,865
TOTAL ASSETS		3,886,053	3,828,200
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable, accruals and other liabilities	13	217,674	270,895
Zakat and income tax provision	14	19,578	21,618
Dividend payable	15	5,843	4,722
Current portion of term loan	16	40,000	30,000
Total current liabilities		283,095	327,235
Non-current liabilities			
Term loan	16	50,000	90,000
Sukuk	17	998,267	997,697
Employees' terminal benefits and other benefits	18	45,730	36,240
Total non-current liabilities		1,093,997	1,123,937
TOTAL LIABILITIES		1,377,092	1,451,172
Shareholders' equity			
Share capital	1	1,639,950	1,639,950
Statutory reserve		353,138	281,835
Unrealized losses on available for sale investments	7	(96,937)	(32,149)
Retained earnings		612,810	487,392
Total shareholders' equity		2,508,961	2,377,028
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,886,053	3,828,200
 KHALIFA A. AL-MULHEM Chairman of the Board			
 ABDULLAH M. ALGARAWI President & CEO			
 MOHAMMED H. QAITANI Finance and Accounting Manager			

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

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)



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CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2015	2014
Sales		2,377,026	3,036,376
Cost of sales		(1,592,875)	(2,255,642)
GROSS PROFIT		784,151	780,734
EXPENSES			
Selling and distribution		(9,027)	(15,339)
General and administration	19	(32,609)	(30,281)
INCOME FROM MAIN OPERATIONS		742,515	735,114
Financial charges		(17,922)	(13,216)
Realized (losses)/gains on sale of available for sale investments, net		(3,286)	27,089
Other (expense)/income, net		(5,236)	2,496
Share of results of an associated company	9	(3,046)	(530)
NET INCOME FOR THE YEAR		713,025	750,953
Earnings per share			
Earnings per share from main operations		4.528	4.483
Earnings per share from net income		4.348	4.579
Weighted average number of shares outstanding (in thousands)		163,995	163,995


KHALIFA A. AL-MULHEM
Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


MOHAMMED H. QATANI
Finance and Accounting Manager

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Unrealized losses on available for sale investments	Retained earnings	Total
Balance at 31 December 2013		1,639,950	206,740	-	407,360	2,254,050
Net income for the year		-	-	-	750,953	750,953
Transfer to statutory reserve		-	75,095	-	(75,095)	-
Dividends	15	-	-	-	(573,983)	(573,983)
Zakat and income tax for the year	14	-	-	-	(21,843)	(21,843)
Movement during the year	7	-	-	(32,149)	-	(32,149)
Balance at 31 December 2014		1,639,950	281,835	(32,149)	487,392	2,377,028
Net income for the year		-	-	-	713,025	713,025
Transfer to statutory reserve		-	71,303	-	(71,303)	-
Dividends	15	-	-	-	(491,985)	(491,985)
Zakat and income tax for the year	14	-	-	-	(20,719)	(20,719)
Movement during the year	7	-	-	(64,788)	-	(64,788)
Board remunerations paid/accrued		-	-	-	(3,600)	(3,600)
Balance at 31 December 2015		1,639,950	353,138	(96,937)	612,810	2,508,961

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULRAHMAN M. AL-GARAWI
President & CEO

MOHAMMED H. QATANI
Finance and Accounting Manager

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

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)



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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

	2015	2014
OPERATING ACTIVITIES		
Net income for the year	713,025	750,953
Adjustments for:		
Depreciation	195,075	187,457
Amortization	15,255	21,110
Losses on disposal of property, plant and equipment	139	30
Realized losses/(gains) on available for sale investments, net	3,286	(27,089)
Financial charges	17,922	13,216
Provision for employees' terminal benefits and other benefits	12,566	11,688
Share of results of an associated company	3,046	530
	<u>960,314</u>	<u>957,895</u>
Changes in operating assets and liabilities:		
Trade receivables	(23,746)	67,942
Prepayments and other receivables	7,014	(11,152)
Inventories	(943)	21,847
Accounts payable, accruals and other liabilities	(53,236)	(70,437)
Cash from operating activities	889,403	966,095
Employees' terminal benefits and other benefits paid	(3,076)	(3,939)
Financial charges paid	(19,137)	(12,569)
Zakat and income tax paid	(22,759)	(17,484)
Net cash from operating activities	<u>844,431</u>	<u>932,103</u>
INVESTING ACTIVITIES		
Net movement in available for sale investments	(714,845)	(159,432)
Net movement in investment in unconsolidated subsidiary	-	1,524
Additional investment in an associated company	(201,409)	(223,406)
Additions to intangible assets	(2,325)	(10,214)
Additions to property, plant and equipment	(204,475)	(168,780)
Proceeds on disposal of property, plant and equipment	93	116
Net movement in other non-current assets	2,174	1,022
Net cash used in investing activities	<u>(1,120,787)</u>	<u>(559,170)</u>
FINANCING ACTIVITIES		
Proceeds from long term loan	-	40,000
Proceeds from issuance of Sukuk	-	1,000,000
Repayment of long term loan	(30,000)	(500,000)
Dividends paid	(490,864)	(572,822)
Board of directors' remunerations paid	(1,800)	-
Net cash used in financing activities	<u>(522,664)</u>	<u>(32,822)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(799,020)	340,111
Cash and cash equivalents at the beginning of the year	884,004	543,893
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>84,984</u>	<u>884,004</u>

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

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)



	2015	2014
Non-cash transactions:		
Dividends declared but not yet paid	5,843	4,722
Unrealized losses on available for sale investments	64,788	32,149
Zakat and income tax provision charged to retained earnings	20,719	21,843
Accrued board of directors' remunerations	1,800	-
Amortization of prepaid financing costs related to Sukuk	570	-

KHALIFA A. AL-MULIYEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

MOHAMMED H. QATANI
Finance and Accounting Manager



1. ORGANIZATION AND ACTIVITIES

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company registered in Dammam, Kingdom of Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (corresponding to October 1, 2005). The paid up share capital of the Company is SR 1,639,950,000 divided into 163,995,000 shares of SR 10 each.

The consolidated financial statements as at 31 December 2015 include the financial statements of the Company and the following subsidiaries (the "Group"):

	Effective ownership
Advanced Renewable Energy Company ("AREC") – note (a)	100%
Advanced Global Investment Company ("AGIC") – note (b)	100%

Notes:

- a- 5% of this investment is held under a related party's name on behalf of the Group. The related party has assigned its share to the Company and accordingly, the Company included 100% financial statements of AREC in the consolidated financial statements.
- b- Advanced Global Investment Company ("AGIC") which is a 100% owned investment has no activities during the year and prior year and has immaterial financial position.

The Group is licensed to engaged in production and selling Polypropylene, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its material subsidiaries. Material subsidiaries are consolidated from the date the Group obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and loss resulting from intra-Group transactions that are recognized as assets, are eliminated in full.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of available for sale investments.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are considered reasonable in the given circumstances of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand, short term Murabaha that is readily convertible into known amounts of cash and have original maturities of three months or less.

Trade receivables

Trade receivables are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the trade receivables amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value, with due allowance for obsolete or slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts - purchase cost on a weighted average basis.

Production in progress and finished products - cost of direct materials and labor plus attributable overheads based on a normal level of activity.

Available for sale investments

After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are classified as available for sale investments and are measured at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in shareholders' equity is included in the consolidated statement of income for the year.

Investment in unconsolidated subsidiary

Investment in unconsolidated subsidiary which is considered immaterial is accounted for under the equity method.

Investment in an associated company

The Group's investment in an associated company is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Construction work in progress is not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Improvements on assets are amortized on a straight-line basis over the shorter of the useful life of the improvement or the related assets.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The estimated useful lives of the principal classes of assets are as follows:

	Years
Plants	20
Buildings	33
Machinery and equipment	10
Furniture, fixtures and office equipment	3 - 8
Catalysts	2 - 8
Laboratory and safety equipment	5
Vehicles and trucks	4 - 10
Leasehold improvements	10

Turnaround maintenance

Planned turnaround maintenance costs are capitalized and depreciated over the period until the date of next planned turnaround. Should unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the remaining net book value is immediately expensed and the new turnaround costs are capitalised and depreciated over the period likely to benefit from such costs. Planned turnaround maintenance costs are included under the assets in the consolidated balance sheet.

Capital spare parts

Capital spare-parts which are considered essential to ensure continuous plant operation, are classified under tangible assets, and are depreciated using the straight-line method over 20 years. The following two conditions must apply to all capitalized spare-parts:

- They are not readily available in the market, or unavailable.
- Their manufacturing requires an extended time to complete.

Intangible assets

Costs that have future benefits are initially recognised as intangible assets. Intangible assets are amortized over a period not exceeding seven years. The amortization expenses are included under cost of sales in the consolidated statement of income.

Impairment of non-current assets

The Group reviews the carrying values of its non-current assets for impairment when events or circumstances indicate that carrying value may not be recoverable. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversal of impairment loss is recognized as income once identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. The liability is charged to retained earnings. Accordingly, amounts reimbursable by the shareholder of such zakat and income tax are credited to retained earnings as well. Additional amounts, if any, that may become due on finalization of an assessment are accounted for at that time.

Employees' terminal benefits and other benefits

Employees' terminal benefits

Provision is made for amounts payable under the Group's policies applicable to employees accumulated periods of service at the consolidated balance sheet date.

Employees' saving plan

The Group maintains an employees' saving plan for its Saudi employees. The contributions from the participants are deposited in separate bank account and liability is established for the Group's contributions. The Group's contribution under the saving plan is charged to the consolidated statement of income.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Revenue recognition

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

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses other than cost of sales, financial charges and realized losses on available for sale investments are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and production costs, when required, are made on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases are charged to consolidated statement of income on a straight-line basis over the term of the operating lease.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction for a long period or production of a qualifying asset, are capitalized as part of the cost of that asset.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Earnings per share

Basic earnings per share from net income are calculated by dividing the net income for the year by the weighted average number of shares outstanding at year end.

Basic earnings per share from main operations are calculated by dividing income from main operations for the year by the weighted average number of shares outstanding at year end.

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Segmental Analysis

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

As substantial portion of the Group's sales are made through marketers, substantially all of the Group's operations are conducted in the Kingdom of Saudi Arabia. Segmental analysis by geographical and operating segment has not been presented.

Fair values

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices. The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AT DECEMBER 31, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)



4. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Bank balances and cash	84,984	90,880
Short term Murabaha investments	-	793,124
	<u>84,984</u>	<u>884,004</u>

Short term Murabaha investments were kept with local commercial banks and were maintained in SR & USD. All investments had original maturities of less than 3 months.

5. PREPAYMENTS AND OTHER RECEIVABLES

	<u>2015</u>	<u>2014</u>
Prepayments	15,946	18,306
Deposits	2,995	2,222
Advances to suppliers	1,198	7,578
Others	1,778	825
	<u>21,917</u>	<u>28,931</u>

6. INVENTORIES

	<u>2015</u>	<u>2014</u>
Spare parts	77,200	60,885
Catalyst	16,987	21,965
Semi-finished goods	10,149	4,321
Finished goods	9,634	27,195
Others	10,321	8,982
	<u>124,291</u>	<u>123,348</u>

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

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AT DECEMBER 31, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)



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7. AVAILABLE FOR SALE INVESTMENTS

	2015	2014
<i>Cost:</i>		
At the beginning of the year	188,721	-
Additions	1,097,705	200,000
Disposals	(386,146)	(11,279)
At the end of the year	900,280	188,721
<i>Valuation adjustments:</i>		
At the beginning of the year	(32,149)	-
Movement during the year	(64,788)	(32,149)
At the end of the year	(96,937)	(32,149)
	803,343	156,572
Less: provision provided against impaired investment	(2,200)	(2,200)
Net carrying value	801,143	154,372

At 31 December 2015, available for sale investments includes investments in discretionary portfolios and marketable securities managed by local financial institutions, investments in debt securities and Murabaha funds and are presented at fair value. The balance includes restricted cash held with the portfolio managers amounting to SR 15.8 million (2014: SR 3.7 million) classified as part of investments available for sale.

Management has performed a review of investments to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded impairment loss of SR Nil (2014: SR 2.2 million) in the consolidated statement of income for the year in respect of investments available for sale. Based on the latest available financial information, board of directors is of the view that no further impairment is required as at 31 December 2015, in respect of these investments.

Board of Directors also believes that the unrealised loss of SR 96.9 million is temporary as the decline in the value of the investments is not "significant and prolonged". Considering that significant portion of the investments were purchased in the current year as well as for the remaining portfolio, held since beginning of the year, the fair values were more than the average cost of the shares during the year, at different dates, that provide evidence of the fact that it does not meet the criteria for a "significant and prolonged" decline to be recorded as impairment loss as at 31 December 2015.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AT DECEMBER 31, 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)



8. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

	Effective percentage of ownership		2015	2014
	2015	2014		
Advanced Global Holding Limited ("AGHL")	100%	100%	376	376
			<u>376</u>	<u>376</u>

During February 2014, AGIC made 100% investment in AGHL, a limited liability company incorporated in Luxembourg. The share capital contribution in AGHL was kept in its bank account and there were no other assets or liabilities, including contingent liabilities at the balance sheet. AGHL does not have any operations for the reported year.

9. INVESTMENT IN AN ASSOCIATED COMPANY

	2015	2014
At the beginning of the year	222,876	-
Additions	201,409	223,406
Share of results	(3,046)	(530)
At the end of the year	<u>421,239</u>	<u>222,876</u>

On 3 September 2014 the Board of Directors of the Company approved the equity investment in PDII Plant with SK Gas ("the JV Co."), for the production of Propylene in South Korea, through AGIC. The total cost of the project is expected to be approximately US\$ 900 Million (SR 3.37 billion) and the project is financed 40% by equity from shareholders and 60% by the JV Co. through borrowing from lenders. AGIC owns 35% equity stake which is financed and guaranteed by the Company. Total commitment for investment in the associated company is approximately US\$ 125.5 million (SR 470.62 million) out of which US\$ 113.13 million (SR 424.24 million) have been paid up to 31 December 2015 and the remaining approximate amount of US\$ 12.37 million (SR 46.39 million) will be paid by the end of first quarter of 2016. The project has commenced the construction activities and it is scheduled to start the commercial production during 2016, with a designed capacity of 600,000 metric tons (MT) per annum.

10. PROPERTY, PLANT AND EQUIPMENT

	Plants	Capital spare	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Catalyst	Laboratory and safety equipment	Vehicles and trucks	Capital work-in-progress	Total 2015	Total 2014
<i>Cost:</i>											
At the beginning of the year	2,739,992	71,885	63,994	38,829	8,571	122,720	15,556	6,032	239,780	3,307,359	3,139,427
Additions	84,884	24,342	373	8,108	484	6,004	311	1,090	78,879	204,475	168,780
Transfers	25,152	-	-	-	-	45,639	-	-	(70,791)	-	-
Disposals	-	-	-	(15)	-	-	-	(1,970)	-	(1,985)	(848)
At the end of the year	2,850,028	96,227	64,367	46,922	9,055	174,363	15,867	5,152	247,868	3,509,849	3,307,359
<i>Depreciation:</i>											
At the beginning of the year	946,149	15,739	14,728	21,023	6,075	114,948	14,841	3,853	-	1,137,356	950,601
Charge for the year	161,479	4,253	2,598	5,783	977	18,645	210	1,130	-	195,075	187,457
Disposals	-	-	-	(8)	-	-	-	(1,745)	-	(1,753)	(702)
At the end of the year	1,107,628	19,992	17,326	26,798	7,052	133,593	15,051	3,238	-	1,330,678	1,137,356
<i>Net book value:</i>											
At 31 December 2015	1,742,400	76,235	47,041	20,124	2,003	40,770	816	1,914	247,868	2,179,171	
At 31 December 2014	1,793,843	56,146	49,266	17,806	2,496	7,772	715	2,179	239,780		2,170,003



10. PROPERTY, PLANT AND EQUIPMENT (continued)

Capital work in progress primarily represent costs incurred on construction of a housing project for the Group's employees which is expected to be completed in 2016, with an estimated cost of SR 367.5 million (2014: SR 367.5 million).

During the year, the Group had capitalized SR 4 million of financial charges (2014: SR 2 million).

Buildings and plant facilities of the Group are constructed on a land leased under renewable operating lease agreements at nominal annual rent from the Royal Commission of Jubail and Yanbu for 30 Hijra years.

11. INTANGIBLE ASSETS

	2015	2014
At the beginning of the year	18,058	28,954
Additions	2,325	10,214
Amortization	(15,255)	(21,110)
At the end of the year	5,128	18,058

12. OTHER NON-CURRENT ASSETS

Other non-current assets primarily represent balances related to Employee Share Ownership Program ("ESOP") amounted of SR 24.7 million (2014: SR 26.4 million). During 2012, the Board of Directors approved an ESOP which provides a 5 year service benefits to eligible employees effective on 1 June 2012. These employees, subject to their subscription to ESOP and meeting the underlying conditions, are given an option to buy the Company's shares, at an agreed exercise price, at a future date (the "vesting date") once they become fully entitled to the shares. The ESOP cost is recognized as an expense over the period in which the service conditions are fulfilled by the employees.

In relation to ESOP, the Company purchased its shares at SR 30 million through a local financial institution under a custody arrangement and these shares are held by the local financial institution as the Group at no point will become legal owner. The value of such shares has been recorded under other non-current assets. The eligible employees will repay the exercise price of the shares to the Company at the completion of the vesting period.

Other non-current assets also includes amount due from a related party (key management personnel of the Company) amounted to SR 1.3 million (2014: SR 1.8 million).

13. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2015	2014
Accrued purchases and expenses	116,969	149,837
Accounts payable	96,792	118,421
Customers' rebate	3,040	1,812
Others	873	825
	217,674	270,895

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)



المتقدمة
Advanced

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AT 31 DECEMBER 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. ZAKAT AND INCOME TAX

a) Zakat

	2015	2014
Current year provision	18,876	19,156
Adjustment relating to prior years	(676)	491
Charge for the year	<u>18,200</u>	<u>19,647</u>

The principal elements of the zakat base are as follows:

	2015	2014
Non-current assets	3,433,063	2,593,865
Non-current liabilities	1,093,997	1,123,937
Opening shareholders' equity	2,377,028	2,254,050
Net income	713,025	750,953
Dividends paid	490,864	572,822
Spare parts	77,200	60,885

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

b) Income tax

	2015	2014
Current year provision	2,522	2,462
Adjustment relating to prior years	(3)	(266)
Charge for the year	<u>2,519</u>	<u>2,196</u>

Income tax has been provided for based on the estimated taxable profit at fixed rate of 20% (2014: 20%)

c) Movements in provisions

The movement in the zakat and income tax provisions for the year was as follows:

	<i>Zakat</i>	<i>Income tax</i>	<i>Total</i>
31 December 2015:			
At the beginning of the year	19,156	2,462	21,618
Provided during the year	18,200	2,519	20,719
Payments during the year	(18,455)	(4,304)	(22,759)
At the end of the year	<u>18,901</u>	<u>677</u>	<u>19,578</u>
31 December 2014:			
At the beginning of the year	15,516	1,743	17,259
Provided during the year	19,647	2,196	21,843
Payments during the year	(16,007)	(1,477)	(17,484)
At the end of the year	<u>19,156</u>	<u>2,462</u>	<u>21,618</u>



14. ZAKAT AND INCOME TAX (continued)

d) Status of assessments

Advanced Petrochemical Company ("The Company")

The Company has been filing its annual Zakat & Income Tax returns with the Department of Zakat & Income Tax (the "DZIT") for the years 2005 to 2014. However, there's no assessment received so far from the DZIT with respect of those years.

Advanced Renewable Energy Company ("AREC")

AREC has been filing its annual Zakat & Income Tax returns with the Department of Zakat & Income Tax (the "DZIT") for the years 2013 to 2014. However, there's no assessment received so far from the DZIT with respect of those years.

Advanced Global Investment Company ("AGIC")

AGIC has been filing its annual Zakat & Income Tax returns with the Department of Zakat & Income Tax (the "DZIT") for the years 2013 to 2014. However, there's no assessment received so far from the DZIT with respect of those years.

Zakat and income tax base has been computed based on the Company's understanding of the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia. The zakat and income tax regulations in Saudi Arabia are subject to different interpretations and a new zakat regulation is expected to be announced in due course. The assessments to be raised by the DZIT could be different from the declarations filed by the Company.

15. DIVIDENDS

In November 2015, the Board of Directors proposed to distribute final cash dividends of SR 0.75 per share (totaling to SR 123 million) for the fourth quarter of 2015. This will be paid during 2016 subject to approval by the General Assembly in their meeting to be held in March 2016.

On 10 September 2015, the Board of Directors resolved to distribute interim cash dividends for the third quarter of 2015 of SR 0.75 per share (totaling SR 123 million).

On 26 May 2015, the Board of Directors resolved to distribute interim cash dividends for the second quarter of 2015 of SR 0.75 per share (totaling SR 123 million).

On 10 March 2015, the Board of Directors resolved to distribute interim cash dividends for the first quarter of 2015 of SR 0.75 per share (totaling SR 123 million).

On 25 November 2014, the Board of Directors proposed to distribute final cash dividends of SR 0.75 per share (totaling to SR 123 million) for the fourth quarter of 2014. This has been approved by the General Assembly in their meeting held on 17 March 2015.



16. TERM LOAN

	2015	2014
Murabaha loan	90,000	120,000
Less: current portion	40,000	30,000
	50,000	90,000

During 2013, the Company obtained Murabaha loan facility of Saudi Riyals 200 million from a local commercial bank to finance the housing project for its employees as explained under Note 10. Balance drawn as of 31 December 2015 against this facility amounted to SR 120 million (2014: SR 120 million). The loan is being repaid in 12 equal quarterly installments commencing from 30 June 2015.

The aggregate maturities of the loans as of 31 December, are summarized as follows:

Years ending December 31:	2015	2014
2015	-	30,000
2016	40,000	40,000
2017	40,000	40,000
2018	10,000	10,000
	90,000	120,000

17. SUKUK

On 17 November 2014, the Company issued its Sukuk amounting to SR 1 billion at a par value of SR 1 million each with no discount or premium. The Sukuk issuance bears a rate of return at SIBOR plus a specified margin, payable semi-annually in arrears. The Sukuk is due for payment in full at par value on its maturity date of 17 November 2019. As at 31 December 2015, total outstanding amount under the Sukuk has been classified as non-current liability net-off unamortised deferred cost amounting to SR 1.7 million (2014: SR 2.3 million).

18. EMPLOYEES' TERMINAL BENEFITS AND OTHER BENEFITS

	2015	2014
At the beginning of the year	36,240	28,491
Provided during the year	12,566	11,688
Paid during the year	(3,076)	(3,939)
At the end of the year	45,730	36,240

19. GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
Salaries and related benefits	21,411	20,475
Legal and professional charges	3,031	2,768
Advertising and promotions	2,310	1,102
Depreciation	900	825
Rent	270	260
Others	4,687	4,851
	32,609	30,281



20. OPERATING LEASE ARRANGEMENTS

The Group has leased land from the Royal Commission for Jubail and Yanbu, for its building and plants facilities. Rental expenses for the year ended 31 December 2015 amounted to SR 0.65 million (2014: SR 0.65 million). The lease will expire in the year 1456H, with the option for renewal.

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

	2015	2014
Not later than one year	650	650
Year two	650	650
Year three	650	650
Year four	650	650
Year five	650	650
Later than five years	10,408	11,058
Net minimum lease payments	<u>13,658</u>	<u>14,308</u>

21. COMMITMENTS

Capital commitments contracted but not yet incurred amounted to SR 160.3 million in respect of the employees home ownership program (2014: SR 228.2 million).

The Group has signed an agreement for the purchase of 80,000 MT per annum of propylene (an intermediate product) which have been used in the production of polypropylene since 1 October 2014.

22. CONTINGENCIES

The Group's banker has given payment guarantees on behalf of the Group in favor of Saudi Aramco for the propane and sales gas supply agreements and others amounting to SR 302.19 million (2014: SR 452.03 million).

23. RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group is not significantly exposed to credit risk. Cash and cash equivalents are generally placed with banks with sound credit ratings and, in general, most of the Group's sales are made to credible customers having strong market reputation. The Group entered into a distributor agency agreement with its marketing agents to act as the exclusive sales agent of the product. The marketing fees charged by the marketing agent are charged to expense when incurred. The majority of credit risk is mitigated by the distribution agreement referred above as credit risk is eventually undertaken by the marketing agents, who market the off taken products.



23. RISK MANAGEMENT (continued)

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets such as short term Murabaha deposits and Murabaha funds (classified as available for sale investments). The Group is also subject to commission bearing risk on its commission bearing liabilities including term loans and sukuk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages its liquidity risk by ensuring that sufficient cash flows are available. The Group's sales invoices are usually settled within 45 days of the date of the invoices. Payables are normally settled within 45 to 90 days of the date of the invoices.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is not significantly subject to fluctuations in foreign exchange rates in the normal course of its business as the Group did not undertake significant transactions during the year in currencies other than Saudi Riyals and US Dollars which is pegged against Saudi Riyal.

Equity price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

The effect on equity (as a result of a change in the fair value of investments available for sale at 31 December 2015) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	<i>Change in equity Price</i>	<i>Effect on Equity</i>	
		2015	2014
	%		
Investments available for sale	+20	75,543	38,953

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, trade receivables and investments available for sale. Its financial liabilities consist of payables, accrued expenses, sukuk and term loans. The fair values of Group's financial instruments are not materially different from their carrying value at the consolidated balance sheet date.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AT 31 DECEMBER 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)



المتقدمة
Advanced

25. SUBSEQUENT EVENT

On 19 January 2016, the Group has announced on Tadawul the admission of Petrochemical Industries Company (PIC), a 100% owned subsidiary of Kuwait Petroleum Corporation (a national oil company of State of Kuwait, KPC) as a 3rd joint venture partner in the JV Co. (as explained under Note 9). PIC will be joining by acquiring 25% equity and it was agreed that AGIC will sell 5% of its equity ownership in the JV Co. Accordingly, the new shareholding of the JV Co. will be 45% by SK Gas, 30% by AGIC and 25% by PIC.

26. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.