

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

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

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

February 24, 2016

To the shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 24 which form an integral part of these consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. 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 Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: _____
Yaseen A. Abu Alkheer
License No. 375

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated balance sheet
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	153,859,221	160,674,296
Short-term deposit	6	40,000,000	-
Accounts receivable	7	157,779,269	150,208,008
Inventories	8	119,629,182	113,045,424
Prepayments and other receivable	9	12,136,306	12,109,351
		<u>483,403,978</u>	<u>436,037,079</u>
Non-current assets			
Investment in an associate	10	372,631	275,287
Property, plant and equipment	11	202,165,346	209,175,092
		<u>202,537,977</u>	<u>209,450,379</u>
Total assets		<u>685,941,955</u>	<u>645,487,458</u>
Liabilities			
Current liabilities			
Accounts payable	12	43,706,813	26,608,476
Accrued and other liabilities	13	41,335,796	39,622,843
Zakat and income taxes payable	14	10,404,581	9,597,061
		<u>95,447,190</u>	<u>75,828,380</u>
Non-current liability			
Employee termination benefits	15	23,127,096	22,356,945
Total liabilities		<u>118,574,286</u>	<u>98,185,325</u>
Equity			
Equity attributable to shareholders of the Company			
Share capital	17	275,000,000	275,000,000
Statutory reserve	18	44,345,718	40,892,114
Retained earnings		148,940,385	145,357,953
Total shareholders' equity		<u>468,286,103</u>	<u>461,250,067</u>
Non-controlling interests		<u>99,081,566</u>	<u>80,052,066</u>
Total equity		<u>567,367,669</u>	<u>547,302,133</u>
Total liabilities and equity		<u>685,941,955</u>	<u>645,487,458</u>
Contingencies and commitments	24		

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.


Khalid Al-Moammer
 Authorized Board Member


Ossama Farouk
 Chief Executive Officer


Ashraf Bahnacy
 Accounts Manager

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2015	2014
Sales	16	625,131,277	633,455,860
Cost of sales	16	(483,718,535)	(498,478,575)
Gross profit		141,412,742	134,977,285
Operating expenses			
Selling and distribution	16, 19	(48,296,046)	(47,586,151)
General and administrative	16, 20	(25,665,324)	(34,067,684)
Income from operations		67,451,372	53,323,450
Other income (expenses)			
Share in net income of an associate	10	97,344	184,959
Financial income	6	137,882	161,409
Other, net		3,733,969	4,654,371
Income before zakat and non-controlling interests		71,420,567	58,324,189
Zakat	14	(7,886,701)	(7,506,779)
Income before non-controlling interests		63,533,866	50,817,410
Non-controlling interests		(28,997,830)	(26,904,564)
Net income for the year		34,536,036	23,912,846
Earnings per share:			
• Income from operations	22	2.45	1.94
• Net income for the year		1.26	0.87
Weighted average number of shares outstanding		27,500,000	27,500,000

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Khalid Al-Moammer
Authorized Board Member

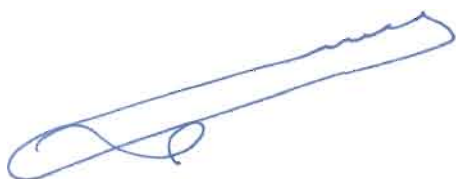
Ossama Farouk
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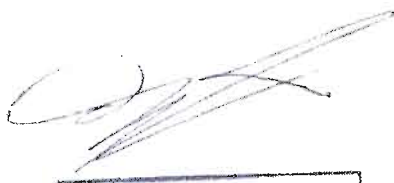
BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2015	2014
Cash flows from operating activities			
Net income for the year		34,536,036	23,912,846
<u>Adjustments for non-cash items</u>			
Depreciation	11	29,317,630	24,234,555
Provision for doubtful debts	7	(1,295,832)	3,754,480
Provision for slow moving inventories	8	2,748,702	7,374,773
Share in net income of an associate	10	(97,344)	(184,959)
Gain on disposal of property, plant and equipment		(94,249)	(466,224)
Income applicable to non-controlling interests		28,997,830	26,904,564
<u>Changes in working capital</u>			
Accounts receivable		(6,275,429)	(15,697,793)
Inventories		(9,332,460)	9,516,161
Prepayments and other receivable		(26,955)	9,738,405
Accounts payable		17,098,337	(3,229,952)
Accrued and other liabilities		1,712,953	16,672,850
Zakat and income taxes payable		(4,790,851)	(3,828,160)
Employee termination benefits		770,151	(697,684)
Net cash generated from operating activities		93,268,519	98,003,862
Cash flows from investing activities			
Short-term deposit	6	(40,000,000)	-
Purchase of property, plant and equipment, net	11	(22,678,282)	(54,648,953)
Proceeds from disposal of property, plant and equipment		464,647	877,031
Net cash utilized in investing activities		(62,213,635)	(53,771,922)
Cash flows from financing activities			
Dividends paid	23	(27,500,000)	(27,500,000)
Dividends paid by a subsidiary to non-controlling interests		(10,369,959)	(34,450,000)
Net cash utilized in financing activities		(37,869,959)	(61,950,000)
Net decrease in cash and cash equivalents		(6,815,075)	(17,718,060)
Cash and cash equivalents at beginning of year		160,674,296	178,392,356
Cash and cash equivalents at end of year	5	153,859,221	160,674,296
Supplemental cash flows information:			
<u>Non-cash financing activity</u>			
Income taxes charged to non-controlling interests		(5,598,371)	(5,261,763)

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements



Khalid Al-Moammer
Authorized Board Member



Ossama Farouk
Chief Executive Officer



Ashraf Bahnacy
Accounts Manager

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2015		275,000,000	40,892,114	145,357,953	461,250,067
Net income for the year		-	-	34,536,036	34,536,036
Transfer to statutory reserve	18	-	3,453,604	(3,453,604)	-
Dividends	23	-	-	(27,500,000)	(27,500,000)
December 31, 2015		275,000,000	44,345,718	148,940,385	468,286,103
January 1, 2014		275,000,000	38,500,829	151,336,392	464,837,221
Net income for the year		-	-	23,912,846	23,912,846
Transfer to statutory reserve	18	-	2,391,285	(2,391,285)	-
Dividends	23	-	-	(27,500,000)	(27,500,000)
December 31, 2014		275,000,000	40,892,114	145,357,953	461,250,067

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Khalid Al-Moammer
Authorized Board Member

Ossama Farouk
Chief Executive Officer

Ashraf Bahnacy
Accounts Manager

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its Saudi Arabian subsidiaries as indicated below. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals also management and maintenance of projects and factories.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under commercial registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (February 2, 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

On January 11, 2015, the Company signed a memorandum of understanding ("MoU") to form a joint venture project with Ebrahim A. Juffali & Brothers, a Saudi Arabian enterprise, for producing chlorine and its derivatives with an estimated production capacity of 200,000 ton per year. The estimated cost of the project at the time of signing of the MoU is Saudi Riyals 1.2 billion with an expected 50% participation from the Company to be financed partly through commercial loans and a loan from the Saudi Industrial Development Fund and partly through equity, considering the financial viability of the project which is currently under evaluation by both parties.

The accompanying consolidated financial statements include the accounts of the Company, its branches and its following various Saudi Arabian subsidiaries, operating under individual commercial registrations:

Subsidiary	Effective ownership percentage at December 31,	
	2015	2014
Basic Chemicals National Company Limited ("BCNC")	100%	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	100%	100%
Saudi Water Treatment Company Limited ("SWTC")	100%	100%
Huntsman APC ("HAPC")	49%	49%
National Adhesives Company Limited ("NAL")	47%	47%

HAPC and NAL are consolidated as they are controlled and managed by the Company.

The accompanying consolidated financial statements were approved by the Company's Board of Directors on February 24, 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of 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.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

(b) Associates

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

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

Unrealized gains and losses on transactions between the Group and its associates 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 consolidated income statement.

2.4 Segment reporting

(a) Business segment

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

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

(b) Geographical segment

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

2.5 Foreign currencies translations

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Group.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using 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 at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. The net amounts of foreign exchange gains and losses for the year ended December 31, 2015 and 2014 are included under "Other, net" in the accompanying consolidated income statement.

2.6 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.

2.7 Short-term deposit

Short-term deposit include placements with banks and other short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date.

2.8 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 Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement 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 recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

2.9 Inventories

Inventories are stated at the lower of cost or net realizable value. 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.

2.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the consolidated 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:

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15
• Furniture, fixtures and office equipment	3 - 5
• Vehicles	4 - 7

Leasehold improvements are depreciated over the shorter of estimated useful life or lease term.

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

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

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

2.11 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 flows (cash-generating units). Non-current 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 consolidated income statement.

2.12 Accounts payable and accruals

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

2.13 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes (the "DZIT"). Foreign shareholders in the consolidated subsidiaries are subject to income tax. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.14 Employee termination benefits

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Group and charged to the consolidated income statement. 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. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.15 Revenues

Revenues are recognized upon delivery of products or on the performance of services. Revenues are shown net of certain expenses and after eliminating sales within the Group.

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 cost of sales as required under generally accepted accounting standards. Allocations between selling, distribution and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2.17 Dividends

Dividends are recorded in the consolidated financial statements in the year in which they are approved by the shareholders of the Company.

2.18 Operating leases

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

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

2.19 Reclassifications

Certain amounts in the accompanying 2014 financial statements have been reclassified to conform to 2015 presentation.

3 Financial instruments and risk management

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, short-term deposit, accounts and other receivable, investment in an associate, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States dollars and Euros. Management believes that currency risk to the Group is not material.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risks arise mainly from its short-term deposit, which is at floating rate of interest and is subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group financial instruments are not exposed to price risk.

3.4 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's obligation as they become due.

3.6 Fair value

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. As the Group financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4 Segment information

The Group operates principally in the following business segments:

- (i) Manufacturing, selling and trading of various types of chemicals; and
- (ii) Manufacturing and selling of adhesive and other materials.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

Selected financial information as of December 31 and for the years then ended, summarized by the above business segments, was as follows:

	Chemicals	Adhesive and other materials	Total
<u>2015</u>			
Sales	370,801,805	254,329,472	625,131,277
Net income for the year	9,468,415	25,067,621	34,536,036
Depreciation	22,386,147	6,931,483	29,317,630
Property, plant and equipment	144,938,661	57,226,685	202,165,346
Total assets	474,608,493	211,333,462	685,941,955
<u>2014</u>			
Sales	362,436,307	271,019,553	633,455,860
Net income for the year	246,644	23,666,202	23,912,846
Depreciation	19,002,934	5,231,621	24,234,555
Property, plant and equipment	158,618,220	50,556,872	209,175,092
Total assets	458,063,241	187,424,217	645,487,458

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

5 Cash and cash equivalents

	2015	2014
Cash at bank	153,643,221	160,458,296
Cash in hand	216,000	216,000
	<u>153,859,221</u>	<u>160,674,296</u>

6 Short-term deposit

Short term deposit represents a time deposit, placed with commercial bank and yield financial income at prevailing market rates.

7 Accounts receivable

	Note	2015	2014
Trade		163,098,581	162,595,298
Less: provision for doubtful debts		<u>(16,083,932)</u>	<u>(18,674,572)</u>
		147,014,649	143,920,726
Related parties	16	<u>10,764,620</u>	6,287,282
		<u>157,779,269</u>	<u>150,208,008</u>

Movement in provision for doubtful debts is as follows:

	2015	2014
January 1	18,674,572	17,657,091
(Reversals) additions	(1,295,832)	3,754,480
Write-offs	<u>(1,294,808)</u>	<u>(2,736,999)</u>
December 31	<u>16,083,932</u>	<u>18,674,572</u>

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

8 Inventories

	2015	2014
Finished products	73,023,577	68,759,170
Raw materials	44,729,005	40,715,982
Consumables and spare parts, held not for sale	23,509,936	24,018,586
Goods-in-transit	284,857	192,526
Other	1,087,146	1,026,854
	<u>142,634,521</u>	<u>134,713,118</u>
Less: provision for slow-moving inventories	<u>(23,005,339)</u>	<u>(21,667,694)</u>
	<u>119,629,182</u>	<u>113,045,424</u>

Movement in provision for slow-moving inventories is as follows:

	2015	2014
January 1	21,667,694	17,798,901
Additions / adjustments	2,748,702	7,374,773
Write-offs	<u>(1,411,057)</u>	<u>(3,505,980)</u>
December 31	<u>23,005,339</u>	<u>21,667,694</u>

9 Prepayments and other receivable

	2015	2014
Advances to suppliers	4,456,029	7,629,960
Prepaid expenses	5,261,485	2,113,214
Due from employees	2,060,606	1,821,394
Other	358,186	544,783
	<u>12,136,306</u>	<u>12,109,351</u>

10 Investment in an associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR No. 56892 issued on 12 Ramadan 1433 H (July 31, 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

Movement in investment in an associate for the years ended December 31 is as follows:

	2015	2014
January 1	275,287	90,328
Share in net income	<u>97,344</u>	<u>184,959</u>
December 31	<u>372,631</u>	<u>275,287</u>

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11 Property, plant and equipment

	January 1, 2015	Additions	Disposals / transfers	December 31, 2015
2015				
Cost				
Land	2,824,561	-	-	2,824,561
Buildings and leasehold improvements	97,231,232	84,425	(160,554)	97,155,103
Plant and machinery	373,213,421	31,011,624	(393,957)	403,831,088
Furniture, fixtures and office equipment	24,078,626	1,314,241	(55,306)	25,337,561
Vehicles	32,270,269	2,467,811	(3,312,676)	31,425,404
Construction in progress	22,502,172	17,720,591	(29,920,410)	10,302,353
	<u>552,120,281</u>	<u>52,598,692</u>	<u>(33,842,903)</u>	<u>570,876,070</u>
Accumulated depreciation				
Buildings and leasehold improvements	(54,564,510)	(3,044,347)	146,888	(57,461,969)
Plant and machinery	(242,155,942)	(21,928,749)	362,023	(263,722,668)
Furniture, fixtures and office equipment	(20,362,204)	(1,637,053)	54,661	(21,944,596)
Vehicles	(25,862,533)	(2,707,481)	2,988,523	(25,581,491)
	<u>(342,945,189)</u>	<u>(29,317,630)</u>	<u>3,552,095</u>	<u>(368,710,724)</u>
	<u>209,175,092</u>			<u>202,165,346</u>
2014				
Cost				
Land	2,824,561	-	-	2,824,561
Buildings and leasehold improvements	97,557,114	29,750	(355,632)	97,231,232
Plant and machinery	361,305,083	38,596,040	(26,687,702)	373,213,421
Furniture, fixtures and office equipment	23,141,180	953,421	(15,975)	24,078,626
Vehicles	32,054,956	2,285,268	(2,069,955)	32,270,269
Construction in progress	9,717,698	37,116,000	(24,331,526)	22,502,172
	<u>526,600,592</u>	<u>78,980,479</u>	<u>(53,460,790)</u>	<u>552,120,281</u>
Accumulated depreciation				
Buildings and leasehold improvements	(51,863,422)	(3,045,981)	344,893	(54,564,510)
Plant and machinery	(252,209,268)	(16,452,674)	26,506,000	(242,155,942)
Furniture, fixtures and office equipment	(18,556,480)	(1,821,698)	15,974	(20,362,204)
Vehicles	(24,799,921)	(2,914,202)	1,851,590	(25,862,533)
	<u>(347,429,091)</u>	<u>(24,234,555)</u>	<u>28,718,457</u>	<u>(342,945,189)</u>
	<u>179,171,501</u>			<u>209,175,092</u>

Construction in progress at December 31, 2015 principally represents costs incurred on certain projects. The Group expects that such projects will be completed in 2016 with a total estimated cost of approximately Saudi Riyals 31.1 million (2014: Saudi Riyals 59.5 million).

Buildings and plant facilities of BCNC are constructed on plots of land leased under a renewable operating lease agreement at nominal annual rent from the Royal Commission for Jubail and Yanbu for 25 Hijra years beginning from 17 Shaban 1422 H (November 3, 2001).

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12 Accounts payable

	Note	2015	2014
Trade		23,002,245	17,729,919
Related parties	16	20,704,568	8,878,557
		<u>43,706,813</u>	<u>26,608,476</u>

13 Accrued and other liabilities

	2015	2014
Accrued expenses	33,368,423	32,789,755
Advances from customers	5,143,289	4,642,294
Other	2,824,084	2,190,794
	<u>41,335,796</u>	<u>39,622,843</u>

14 Zakat and income taxes matters

14.1 Components of zakat base

The Group files zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations principally comprised of shareholders' equity, provisions at the beginning of year and adjusted net income, less deduction for the net book value of property, plant and equipment, investments and certain other items.

14.2 Provision for zakat and income taxes

	2015	2014
Zakat for BCI	4,017,000	3,913,739
Zakat and income taxes for Saudi Arabian subsidiaries	6,387,581	5,683,322
	<u>10,404,581</u>	<u>9,597,061</u>

14.3 Provision for zakat charged to the consolidated income statement

	2015	2014
Zakat for BCI	4,017,375	3,960,026
Share of BCI in zakat of subsidiaries	3,869,326	3,546,753
	<u>7,886,701</u>	<u>7,506,779</u>

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14.4 Provision for zakat and income taxes

	2015	2014
January 1	9,597,061	8,163,458
Provisions:		
For current year	13,451,688	12,722,255
Adjustments related to prior years	33,384	46,287
Payments	<u>(12,677,552)</u>	<u>(11,334,939)</u>
December 31	<u>10,404,581</u>	<u>9,597,061</u>

14.5 Status of final assessments

The DZIT has finalized the zakat assessments for the Company for the years through 2002 which have been agreed by the Company. The DZIT issued additional assessments for the years 2003 through 2010 amounting to Saudi Riyals 10.4 million. The Company has filed appeals against such additional assessments which are at various appellate levels and the Group management believes that no material liability will arise upon the ultimate resolution of these appeals and accordingly, no provision for such additional assessments have been recorded in the accompanying consolidated financial statements. Zakat assessments for the years 2011 to 2014 are currently under review by the DZIT. The Company has obtained zakat certificates for the years through 2014.

The DZIT has issued zakat and income tax assessments related to the subsidiaries for certain years which have been agreed by the subsidiaries. Zakat and income tax assessments for certain years are currently under review by the DZIT. All subsidiaries have received the zakat certificates for the years through 2014.

15 Employee termination benefits

	2015	2014
January 1	22,356,945	23,054,629
Provisions	3,873,058	3,590,938
Payments	<u>(3,102,907)</u>	<u>(4,288,622)</u>
December 31	<u>23,127,096</u>	<u>22,356,945</u>

16 Related party matters

The Group has transactions with non-controlling interests and their affiliates and associates (collectively the "related parties").

16.1 Related party transactions

Significant transactions with related parties included in the consolidated financial statements are summarized below:

	2015	2014
Sales	34,454,570	29,924,251
Purchases	76,826,166	92,764,595
Royalty charged by a related party	7,571,395	7,984,136
Transportation expenses charged by a related party	904,745	715,546

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16.2 Related party balances

(i) Receivable from related parties

	2015	2014
Henkel Adhesives Limited and its affiliates	9,048,496	6,135,580
Mars-CMDC	1,716,124	151,702
	<u>10,764,620</u>	<u>6,287,282</u>

(ii) Payable to related parties

	2015	2014
Huntsman (Saudi Investments) B.V. Netherlands	15,076,408	6,466,000
Henkel Adhesives Limited and its affiliates	5,505,588	2,376,557
Globe Marine Services Company	122,572	36,000
	<u>20,704,568</u>	<u>8,878,557</u>

17 Share capital

The share capital of the Company as of December 31, 2015 and 2014 was comprised of 27,500,000 shares stated at Saudi Riyals 10 per share.

18 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until such reserve equal 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

19 Selling and distribution expenses

	Note	2015	2014
Salaries and benefits		14,211,355	15,169,993
Transportation		11,792,053	11,492,334
Royalty	16	7,571,395	7,984,136
Depreciation		2,768,908	1,942,478
Advertisement		964,302	1,820,669
Commission		1,502,668	1,068,295
Traveling		1,118,141	944,282
Repair and maintenance		1,449,544	883,298
Rent		1,232,274	795,253
Insurance		618,792	576,996
Other		5,066,614	4,908,417
		<u>48,296,046</u>	<u>47,586,151</u>

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20 General and administrative expenses

	2015	2014
Salaries and benefits	15,030,221	18,288,998
Depreciation	2,176,616	2,298,288
Board of Directors' fees	1,200,000	1,200,000
Traveling	1,640,063	1,274,867
Repair and maintenance	1,023,531	1,431,585
Professional fees	2,330,963	2,181,961
Utilities	436,833	510,965
Provision for doubtful debts	(1,295,832)	3,754,480
Other	3,122,929	3,126,540
	25,665,324	34,067,684

21 Operating leases

The Group has various operating leases for leasehold land and certain office properties which are renewed annually. Rental expense for the year ended December 31, 2015 amounted to Saudi Riyals 3.6 million (2014: Saudi Riyals 2.1 million). There were no significant rental commitments outstanding at December 31, 2015.

22 Earnings per share

Earnings per share for the years ended December 31, 2015 and 2014 has been computed by dividing the income from operations and net income for year by weighted average number of shares outstanding during such years.

23 Dividends

The shareholders of the Company in their General Assembly meeting held on April 28, 2015 approved dividends of Saudi Riyals 1.0 per share, amounting to Saudi Riyals 27.5 million for the year ended December 31, 2015 (2014: Saudi Riyals 27.5 million) which were fully paid during the year.

24 Contingencies and commitments

- (i) The Group was contingently liable at December 31, 2015 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 16.6 million (2014: Saudi Riyals 8.4 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2015 was approximately Saudi Riyals 20.8 million (2014: Saudi Riyals 21.5 million).
- (iii) See Note 14.5 for zakat contingencies and Note 1 related to an MoU for participation in a joint venture project.