MEGlobal Canada ULC

31 December 2015

everything EG

Table of Contents

KPMG

KPMG Lower Gulf Limited
P.O.Box 341145
Level 12, IT Plaza
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
Website: www.ae-kpmg.com

Independent auditors' report

The Board of Directors
MEGlobal Canada ULC

Report on the special purpose consolidated financial statements

We have audited the accompanying special purpose consolidated financial statements of MEGlobal Canada ULC ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 9 day period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the special purpose consolidated financial statements

Management is responsible for the preparation and fair presentation of these special purpose consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the 9 day period then ended in accordance with International Financial Reporting Standards.

KPMG

Independent auditors' report *(continued)*

Basis of preparation and purpose of use

As also explained in note 2(a) of the accompanying special purpose consolidated financial statements, these special purpose consolidated financial statements have been prepared under International Financial Reporting Standards reporting framework for information of the Directors of the Company.

KPMG

KPMG Lower Gulf Limited
Date:

31 JAN 2016

Signatures and Acknowledgement

The attached special purpose consolidated financial statements of MEGlobal Canada ULC for the 9 day period ended 31 December 2015 are hereby signed and acknowledged.

Deborah Stephens

Director

Abukhousah Saad

Director

MEGlobal Canada ULC
Consolidated statement of profit or loss and other comprehensive income

($ IN MILLIONS)

	Notes	9 day period ended 31 December 2015
Net sales		15
Cost of sales		(13)
Other income		1
Operating income		3
Net gain on foreign currency transactions		2
Net finance income		2
Income before income taxes		5
Provision for income taxes	11	(2)
Net income for the period		3
Other comprehensive income		
Exchange differences on translating foreign operations		(1)
Other comprehensive income for the period, net of tax		(1)
Total Comprehensive Income for the period		2
Income attributable to:		
Equity holders of the company		3
Total comprehensive income attributable to:		
Equity holders of the company		2

The notes on pages 9 to 29 are an integral part of these special purpose consolidated financial statements.

The independent auditors' report is set out on pages 2 and 3.

MEGlobal Canada ULC
Consolidated statement of financial position

($ IN MILLIONS) as at 31 December 2015 (except share data)

	Notes	2015
Assets		
Non-current assets		
Property, plant and equipment (net of accumulated depreciation)	4	561
Goodwill	5, 14	1,476
Intangible Assets (net of accumulated amortization)	5	10
Deferred income taxes	11	9
Deferred charges and other assets	6	225
Total non-current assets		2,281
Current assets		
Cash and cash equivalents		-
Accounts receivable		
Trade (net of allowance for doubtful accounts of $0)		92
Other		18
Notes receivable	7	16
Inventories	3	28
Deferred charges and other assets	6	33
Total current assets		187
Total assets		2,468
Equity and liabilities		
Equity		
Common stock, no par value per share	12	-
Class A – authorized, unlimited shares; Issued 200,000,100 shares in 2015		
Class B – authorized, unlimited shares; Issued 0 shares in 2015		
Additional paid-in-capital		200
Retained earnings		3
Foreign currency translation reserve		(1)
Total stockholders' equity		202
Non-current liabilities		
Deferred income tax	11	195
Pension and other post-retirement benefits	16	16
Other deferred liabilities		1
Total non-current liabilities		212
Current liabilities		
Notes payable	7	325
Short term debt - Banks	8	1,663
Accounts payable		
Trade		38
Other		8
Income taxes payable		14
Accrued and other current liabilities		6
Total current liabilities		2,054
Total liabilities		2,266
Total equity and liabilities		2,468

The notes on pages 9 to 29 are an integral part of these special purpose consolidated financial statements.

The independent auditors' report is set out on pages 2 and 3.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 31 January 2016 and signed on their behalf by:

N. Meier

Niklaus Meier – Chief Financial Officer

MEGlobal Canada ULC
Consolidated statement of cash flows

($ IN MILLIONS)

	Notes	9 day period ended 31 December 2015
Cash flows from operating activities		
Net income for the period		3
Adjustments:		
Depreciation of property, plant and equipment	4	1
Provision for tax	11	2
Changes in:		
Accounts and other receivable		(38)
Inventories		5
Other assets and liabilities		(12)
Net cash used in operating activities		(39)
Cash flows from investing activities		
Cash paid on amalgamation net of cash acquired	14	(1,863)
Acquisition of property, plant and equipment	4	(2)
Net Cash used in investing activities		(1,865)
Cash flows from financing activities		
Proceeds from additional paid in capital		200
Proceeds from loan and borrowings	8	1,663
Net movement in notes receivables and payables		41
Net cash from financing activities		1,904
Net cash flows during the period		-
Cash and cash equivalents at December 31		-

The notes on pages 9 to 29 are an integral part of these special purpose consolidated financial statements.

The independent auditors' report is set out on pages 2 and 3.

MEGlobal Canada ULC
Consolidated statement of changes in equity

($ IN MILLIONS) for the 9 days period ended 31 December 2015

	Attributable to owners of the company			
	Additional paid in capital	**Retained earnings**	**Foreign currency translation reserve**	**Total**
Profit for the period	-	3	-	3
Other comprehensive income (loss) for the period	-	-	(1)	(1)
Total comprehensive income for the period	-	3	(1)	2
Additional paid in capital	200	-	-	200
Balance at 31 December 2015	200	3	(1)	202

The notes on pages 9 to 29 are an integral part of these special purpose consolidated financial statements.

Notes to the Special Purpose Consolidated Financial Statements
Period Ended 31 December 2015

1. REPORTING ENTITY

MEGlobal Canada ULC ("the Company") is domiciled in Canada. These consolidated financial statements include the financial performance and position of the Company and its wholly owned subsidiary Alberta & Orient Glycol Company ULC ("A&O") (together referred to as the "Group").

Nature of Operations – MEGlobal Canada ULC, formed in December 2015 via a series of amalgamations, is a wholly owned subsidiary of Equate Petrochemical Company K.S.C.C. ("Equate"). Prior to the change in shareholding, it operated as MEGlobal Canada Inc., a joint venture between Dow Chemical Canada ULC ("DCC ULC") and PicCan Holdings Inc. ("PicCan"). Each party held a 50% shareholding interest.

The Group is a producer of monoethylene glycol ("MEG") and diethylene glycol ("DEG"), commonly referred to as ethylene glycol ("EG"). It operates three world scale EG facilities in Alberta, Canada.

The Company's registered office is located at Suite 1300, 1969 Upper Water Street, Purdy's Wharf Tower II, Halifax, Nova Scotia, Canada.

2. (a) BASIS OF PREPARATION

The special purpose consolidated financial statements ("consolidated financial statements") have been prepared in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. All amounts in these consolidated financial statements have been rounded to the nearest millions, and presented in U.S. dollars, unless otherwise indicated.

These consolidated financial statements have been prepared under International Financial Reporting Standards reporting framework solely for information of the Directors of the Company.

2. (b) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary A&O. Upon consolidation, all material inter-Group accounts, transactions and profits have been eliminated.

Subsidiaries - Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The

financial statements of a subsidiary is included in the consolidated financial statements from the date control commences until the date that control ceases.

Business Combinations – The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Transactions under common control – With respect to business combinations arising from transfers of interests in entities that are under the control of the shareholders the Group has chosen to apply IFRS 3 – Business combinations. Accordingly transactions under common control are accounted for using the acquisition method whereby the assets and liabilities acquired are recognized at their fair value.

Financial Instruments and Risk Management – The Group's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivables with related parties, notes payable to related parties, accounts payable, short-term debt and foreign exchange forward contracts. The Group's estimate of the fair value of these financial instruments approximates their carrying amounts as of 31 December 2015. The estimated fair value amounts have been determined by the Group using available market information and valuation methodologies. Foreign exchange forward contracts are derivative instruments used by the Group to hedge its foreign currency exposure. Derivatives are recognized initially at fair value; and any directly attributable transaction costs are recognized in the profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and money market funds with an original maturity of three months or less.

Inventories – Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out ("FIFO") method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Property – Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses and include expenditures for major renewals and betterments. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Maintenance and repairs are normally expensed during the financial period in which they are incurred. If major renewals are performed and these activities bring to the Group future economic benefits in excess of the originally assessed standard of performance, the expenditures are capitalized and depreciated over the remaining useful life of the related asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Goodwill – Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Any impairment is recognized immediately in profit or loss and is not subsequently reversed.

Intangible Assets – Intangible Assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Operating leases – Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Deferred Charges and Other Assets – The Group amortizes on a straight line basis or productive use method as appropriate.

Provisions - Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the inflow is recognized as an asset only when the reimbursement is certain.

Income Taxes – Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on substantially enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Current and deferred tax

are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Revenue Recognition – The Group recognizes revenue when the significant risks and rewards of the ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured, net of returns, discounts and sales related taxes.

Foreign Currency Translation – The functional currency for the Company is U.S. dollars, while the A&O subsidiary uses Canadian dollars.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

Employee benefits

i. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

ii. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Recent Accounting Pronouncements – A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements:

- IFRS 9 – Financial Instruments
  IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- IFRS 15 – Revenue from Contracts with Customers
  IFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty -
In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition – Sales are billed to customers based on provisional pricing and are subsequently adjusted for the actual settlement prices. As of the end of the reporting period the Group estimates the final settlement price based on the prices observed in the market.

Impairment of goodwill – Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Estimation of useful life for property, plant and equipment and intangible assets and residual value of property, plant and equipment – The Group assesses the carrying value of property, plant, equipment, identifiable intangible assets, and long-lived assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of use of the assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

Acquisition accounting – The Group assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Allowances for doubtful accounts – The Group creates an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the customers' financial conditions were to deteriorate, additional allowances may be required in future periods.

Allowances against inventory – The Group periodically reviews inventory for any declines in net realizable value below cost, and creates an allowance against the inventory balance for any such decline. These reviews require management to assess the estimated future demand for products. Possible changes in these estimates could result in revisions to the evaluation of inventory in future periods.

Legal contingencies – Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Group. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

Employee benefits – Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is performed. Liabilities are recognized for the amount expected to be paid under the short and long term incentive programs offered by the Group. These obligations can be estimated reliably.

Disclosure – The consolidated financial statements were authorized for issue by the Chief Financial Officer on January 31, 2016.

3. INVENTORIES

Details of inventory at December 31 are as follows:

	2015
Finished Goods	8
Raw Materials and Supplies	20
Total inventory	28

4. PROPERTY, PLANT AND EQUIPMENT

Details of the net book value of the property, plant and equipment at December 31 are as follows:

	Land & Waterway Improvements	Buildings	Machinery & Equipment	Construction in Progress	Total
Cost					
Acquired through business combination (refer note 14)	2	53	480	26	561
Additions	-	-	-	2	2
Foreign currency translation	-	-	(2)	-	(2)
As at 31 December 2015	2	53	478	28	561
Accumulated depreciation					
Depreciation expense	-	-	1	-	1
Foreign currency translation	-	-	(1)	-	(1)
As at 31 December 2015	-	-	-	-	-
Carrying amounts					
As at 31 December 2015	2	53	478	28	561

The following useful lives are used in the calculation of depreciation expense for assets acquired through business combination:

Buildings	5 to 40 years
Machinery and equipment	1 to 20 years

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Details of Goodwill and other intangibles at December 31 are as follows:

	Goodwill	Intellectual Property	Total
Cost			
Acquired through business combination (refer note 14)	1,476	10	1,486
As at 31 December 2015	1,476	10	1,486
Amortization			
Amortization expense	-	-	-
As at 31 December 2015	-	-	-
Carrying Amounts			
As at 31 December 2015	1,476	10	1,486

Goodwill acquired in a business combination (refer note 14) is allocated to the cash-generating unit ("CGU') that is expected to benefit from that business combination. Goodwill represents the expected economic benefits from the business combination including the future growth of the operations, synergies expected from supply chain and logistics, reduction of cost and access to global market and network. The impairment testing for Goodwill is carried out annually. The Group has one CGU for the purpose of impairment testing. The carrying amount of goodwill has been allocated to this CGU.

The amortization expense of intellectual property is included in cost of sales.

6. DEFERRED CHARGES AND OTHER ASSETS

	Current	Non - current	2015
Ethylene supply agreement	21	218	239
Financing costs – Bank	10	-	10
Ethylene storage cavern	-	6	6
Other	2	1	3
	33	225	258

7. NOTES RECEIVABLE / PAYABLE

	Notes Receivable	Notes Payable
MEGlobal B.V.	16	311
Equate Petrochemical K.S.C.C	-	14
	16	325

MEGlobal B.V. Revolving Credit Facility – The Group has a multi-currency revolving credit facility in place with MEGlobal B.V., for working capital financing up to a maximum of $500 at an interest rate of .25% above the Base Rate (Base Rate is defined as the funding cost of MEGlobal B.V., which represents 1 to 6 month USD LIBOR and a spread of 1.50%). The facility can also be used to deposit excess funds at the Base Rate. As of December 31, the Group had borrowed a net $295 in various currencies with rates ranging from 1.98% to 2.58%. The facility does not have a specific tenure and is repayable on demand. Interest is accrued monthly.

Equate Petrochemical K.S.C.C. Credit Facility – The Group has a revolving credit facility in place with Equate for working capital financing up to a maximum of $100 at an interest rate of .50% above LIBOR. As of December 31, the Group had borrowed $14 at a rate of 1.0195%. The facility does not have a specific tenure and is repayable on demand. Interest is accrued monthly. Interest on the above facilities was immaterial.

8. SHORT TERM DEBT - BANKS

On December 17, 2015, Equate, along with the Company and related parties, Equate Petrochemical B.V. and The Kuwait Olefins Company K.S.C.C. entered into a $4,060 conventional facility agreement with various international, regional and local banks repayable over a period of 12 months with a six month extension option.

As of December 31, out of the conventional facility agreement, the Group has borrowed $1,663 from the lead banker at a rate of 1.0195% and had available $137 of undrawn committed facility in respect of which all precedent conditions have been met.

As part of the overall $4,060 facility, the Company is jointly and severally a guarantor along with Equate K.S.C.C, The Kuwait Olefins Company K.S.C.C., and Equate Petrochemical B.V. The debt contains a financial covenant that the ratio of net debt to earnings before interest taxes, depreciation, and amortization (“EBITDA”) for the twelve month period ending on the last day of the calendar year shall not exceed 4.0:1 for the combination of entities who are also guarantors listed above.

Interest on the above facilities was immaterial in 2015. It is payable on a monthly basis.

9. DERIVATIVE INSTRUMENTS AND HEDGING

The Group's operations require active participation in foreign exchange markets. The Group enters into foreign exchange forward contracts to hedge various currency exposures. Exposures primarily relate to assets and liabilities denominated in foreign currencies. The primary business objective of the activity is to optimize the U.S. dollar value of the Group's assets and liabilities with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At 31 December 2015, the Group had forward contracts to buy, sell or exchange foreign currencies. These contracts had various expiration dates and are with The Dow Chemical Group. The Group has not engaged in any cash flow hedges.

	Gain	Loss
Derivatives relating to Foreign Currency mark to market impact on profit or loss	-	(1)

As at 31 December 2015, the Group had the following net notional forward exchange contracts:

	2015	
	CAD	USD
Long Position	426	75
Short Position	196	36

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
USD	-	(1)	-	(1)

10. OPERATING LEASES

The Group has entered into leases for rail cars from third parties, land from DCC ULC, silver from MEGlobal International FZE, and equipment from others under operating leases. At 31 December 2015, future minimum rental commitments under these non-cancelable leases are immaterial.

11. INCOME TAXES

The provision for income taxes consists of the following:

	2015
Current	1
Deferred	1
Total	2

Tax rate reconciliation:

		2015
Income before income taxes		5
Tax at the Canadian statutory rate	27%	1
Other		1
Tax expense and effective tax rate for the year	50%	2

Net income taxes paid during the 9 day period ended 31 December 2015 were immaterial.

Significant components of the Group's deferred income tax assets and liabilities are as follows:

	2015
Deferred Income Tax Assets:	
Post-retirement benefit obligations	5
Property	4
Total	9
Deferred Income Tax Liabilities:	
Other Assets and intangibles	130
Property	65
Total	195
Net Deferred Income Tax Liabilities	186

12. COMMON STOCK

The Group has two classes of common stock: Class A and Class B. Both classes of shares carry no par value per share.

Class A Shares:
Authorized: unlimited shares
Issued and outstanding: 200,000,100 shares
Stockholder: Equate Petrochemical Company K.S.C.C

Class B Shares:
Authorized: unlimited shares
Issued and outstanding: 0 shares

These classes of common stock have the same rights, preferences and restrictions.

13. RELATED PARTY TRANSACTIONS

The Group has entered into certain commercial arrangements with some of its ultimate stockholders or affiliates of the stockholders as part of the venture. They include:

- Ethylene Supply Agreement
- Ethylene Oxide (EO)/EG Swap Agreement
- Technology License Intellectual Property (IP) Agreement
- Catalyst Supply Agreement
- Storage Sublease
- Ground Lease
- Utilities Services Agreements
- Technical Services Agreement
- General Services Agreement
- Secrecy Agreement
- Employee Seconding Agreement
- Other Assignment and Assumption Agreements

A summary of significant balances with affiliated entities is as follows:

	2015		
	Equate Petrochemical Company K.S.C.C.	Dow consolidated companies	Equate Petrochemical B.V.
Accounts Receivables	-	4	84
Notes Receivables	-	-	16
Accounts Payable	-	27	-
Notes Payable	14	-	311

Dow consolidated companies includes: The Dow Chemical Group ("TDCC"), Union Carbide Corporation, DCC ULC, Dow Europe Holding B.V., DCOMCO, DIFS and other TDCC subsidiaries and or related companies to a smaller extent

Equate Petrochemical B.V. includes: MEGlobal B.V., MEGlobal Americas Inc., MEGlobal Europe GmbH, MEGlobal International FZE, MEGlobal Asia Limited, MEGlobal Mexico S.A. de C.V., MEGlobal Trading Co. Ltd. MEGlobal Comercio Do Brasil Ltda, Equipolymers GmbH, and Equipolymers SRL

All outstanding balances with these related parties are at agreed upon prices and are to be settled in accordance with standard terms of the agreements.

The Ethylene Supply Agreement commits the Group to purchase and obligates DCC ULC to supply a contract quantity of ethylene each year through 2024 with an additional two five year extensions through to 2034, on a predetermined contract pricing formula. The provisions of the agreement allow for certain cost adjustments based on contractual formulas and raw material inputs and are generally settled in conjunction with the monthly related Group settlement and reconciliation process. Management believes that the impacts of these settlements are not significant.

The Company has no key managerial personnel and the compensation paid to the key managerial personnel of MEGlobal post amalgamation period is not material to these consolidated financial statements.

14. Business Combination

The Company was formed in December 2015 via a series of amalgamations. As the same ultimate shareholders would continue to control the Company before and after the amalgamation, the amalgamation is a common control transaction. As per the Company's accounting policy for common control transactions, the transaction is accounted for in accordance with the acquisition method under IFRS 3.

The fair values of intangibles assets, property, plant and equipment and the related deferred tax balances have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Following is a summary of the provisional effect of the business combination on the consolidated financial statements:

Fair value of assets acquired and liabilities assumed on date of amalgamation:	**2015**
Current assets	148
Property	561
Other assets	245
Current liabilities	(75)
Non-current liabilities	(19)
Long-term debt	(295)
Deferred taxes	(178)
Identifiable net assets (A)	387
Less: Fair value of Purchase consideration paid **(B)**	(1,863)
Goodwill (B-A)	1,476

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment – Market comparison technique and cost technique: the valuation considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence, where applicable.

- Intangible assets – Income approach and cost advantage technique: the valuation considers present value of cash flows attributable to the intangible assets measured either as cost savings or excess earnings.

- Inventories – Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories

15. EMPLOYEE BENEFIT PROGRAMS

Benefit program expenses which include compensation and all Group benefit programs were immaterial for the 9 day the period ended 31 December 2015. Employees of the Group maintained their participation in all DCC ULC sponsored health and welfare benefit programs for the period ended 2015. The Group pays for the costs incurred under these plans. The employee savings and pension plans are in the name of the Group.

16. POST-RETIREMENT BENEFITS

The Group operates a non-contributory defined Benefit Plan ("Plan") for its employees. The Plan became effective July 1, 2004 replacing the Dow Chemical Canada Inc. Salaried Employees Pension Plan and the Union Carbide Pension Plan for Canadian employees; both plans had been in place for the Group's employees up until that time. All former Dow Chemical Canada Inc. ("DCCI") employees, who were also members of their respective plans, transferred to employment with the Group on July 1, 2004 and became employees of the Group and members of the Plan on July 1, 2004. As of December 31, 2011, the defined benefit plan was closed to new entrants. The Group introduced a new defined contribution plan for employees hired on or after January 1, 2012.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2013. These valuations reflect the past service costs and asset transfers of the Union Carbide Canada and the DCCI Salaried Employees Pension plans to the Plan. The Plan's liabilities were assessed by utilizing the Projected Unit Credit actuarial method.

The pension plan exposes the Group to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk.

The Group provides certain health and welfare benefits to retired employees. These benefits which are supplemental to provincial health care plans cover eligible employees age 50 and over who have completed a minimum of ten years of credited active service. The Group and the retiree share the costs of these benefits. This unfunded benefit plan is cancellable by the Group.

Actuarial assumptions:

	Defined Benefit Pension Plans	Other Post-Retirement Benefits
Valuations At:	**2015**	**2015**
Discount Rate	4.08%	4.15%
Salary Increases – Current	5.00%	3.50%
Salary Increases – Subsequent Year	3.50%	3.50%
Salary Increase – Thereafter	3.50%	3.50%
Inflation	2.00%	
Heather Care Trend Rates:		
Drugs – Initial		6.50%
Drugs – Ultimate Trend		5.00%
Drugs - Year Ultimate Trend Rate Reached		2018
Other Health Care		4.00%

Defined benefit cost:

For the 9 day period ended 31 December 2015, the profit and loss and other comprehensive income were immaterial.

Net financial position:

	Defined Benefit Pension Plans **2015**	Other Post-Retirement Benefits **2015**
Development of Net Financial Position		
Defined benefit obligation	59	4
Fair value of assets	47	-
Net Defined Benefit Liability	12	4

Reconciliation of Benefit Obligation:

	Defined Benefit Pension Plans **2015**	Other Post-Retirement Benefits **2015**
Benefit Liability Acquired in Business Combination	59	4
Benefit Liability at December 31	59	4

There was no material movement between the business combination date and the date of these financial statements.

Reconciliation of Fair Value of Plan Assets:

	Defined Benefit Pension Plans **2015**
Fair Value of Plan Assets Acquired in Business Combination	47
Fair Value of Plan Assets at December 31	47

The Fair Value of Plan Assets is analyzed as follows:

	Defined Benefit Pension Plans **2015**
Cash	2
Bonds	18
Equity	27
Total	47

The Group's 2016 funding requirements for the defined benefit plan is expected to be $2.

Contributions to the defined contribution plan were immaterial in 2015 and will remain so in 2016.

Pension and post-retirement costs are included in the employee benefits component of labor and thus follow labor costs to various line items of the consolidated statement of profit or loss and other comprehensive income.

A one percentage point decrease in the discount rate would have an impact of $13 on the defined benefit obligation of the pension plans and a $1 impact on the defined benefit obligation of other post-retirement obligations.

The plan assets do not include any of the Group's financial instruments, nor property occupied by, or other assets used by the Group.

17. RISK MANAGEMENT

Market – The Group's products are primarily sold under a sales and distribution agreement with Equate B.V. and its subsidiaries around the globe. Prices are primarily affected by industry cycles and supply and demand balances. Equate B.V. addresses the associated business risks, by customer and geographic diversification, stringent credit management, and efficient channels to markets.

MEGlobal B.V. assumes inventory positions, related price risks, commercial and credit risks of trade customers and related working capital financing.

	2015
Sales by Customer:	
Equate B.V.	14
Other	1
Total	15

Credit – The Group is protected from third party credit risk due to the Equate B.V. distribution channels. In addition, the Group is selling products to local customers on open account and secured terms and engages in an active and conservative credit management policy that includes credit insurance. Management believes there are no significant past due receivables subject to credit risk. In accordance with management procurement policies, trade payables are settled in accordance with normal credit terms. With respect to financial assets, the maximum exposure is equal to the carrying amount of the assets on the statement of financial position. Temporary surplus cash is placed either with TDCC or with top rated third party banks.

Trade Accounts Receivable Aging Analysis:

	2015
Current	92
Past Due 1-30 days	-
Past Due Over 30 days	-
Total	92

Concentration – The Group participates in the manufacturing and trade industry sector and can be analyzed by the following geographic regions post intergroup eliminations:

	2015	
	Assets	Liabilities
Geographic Region:		
North America	2,368	480
Middle East	16	1,677
Europe	84	311

Interest – The Group is exposed to interest rate risk on all interest bearing deposits and borrowings. The Group's short term debt via the Equate facility carries interest at cost of funds plus margin (effective rate 1.0195% on 31 December 2015). The sensitivity analysis shows that an increase of 1% in the interest rate has an insignificant impact on the statement of comprehensive income.

Liquidity – As disclosed on the face of the financials, the Group manages its short term obligations based on its own cash flow and credit facilities granted from the related companies.

The dividend policy of the Group is driven by a targeted debt to equity ratio, cash flow and liquidity, and is restricted by certain tax and legal provisions prevailing in the various jurisdictions in which the Group operates.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

				2015
	0 to 3 months	3 to 12 months	>1 year	Total
Accounts payables and accruals	66	-	-	66
Short term debt - banks	-	1663	-	1663
Notes payable	-	325	-	325
Total Liabilities	66	1988	-	2054

Foreign exchange – The Group is exposed to foreign currency translation and transaction gains and losses based on the nature and structure of its operations and changes in reporting and transaction currencies. The Group manages these foreign currency risks with foreign exchange contracts.

18. COMPARATIVES

These consolidated financial statements have been prepared for the first time from the date of incorporation, i.e. 9 day period ended 31 December 2015, and hence no comparatives have been presented.