Saudi Industrial Investment Group Company and its Subsidiary

(A Saudi Joint Stock Company)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months period ended June 30, 2017
and independent auditor's review report

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS INDEX
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

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<u>Independent auditors' report on review</u>
<u>of the condensed interim consolidated financial statements</u>

The shareholders
Saudi Industrial Investment Group Company
“A Saudi Joint Stock Company”

Riyadh-Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of **Saudi Industrial Investment Group Company** (a Saudi Joint Stock Company) and its subsidiary consisting of the interim consolidated statement of financial position as of 30 June 2017, the related interim consolidated statements of profit or loss and other comprehensive income for the three and six months then ended and related interim statements of changes in equity and cash flows for six months then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (23).

Management of the company is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 – (“IAS 34”) Interim Financial Reporting endorsed in the Kingdom of Saudi Arabia .Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (2410) “Review of Interim Financial Information Performed by the Independent Auditor”, endorsed in the Kingdom of Saudi Arabia. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. (60)

Dhul Qa’adah 16, 1438 H
August 8, 2017 G

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Amounts in SR '000)

	Notes	*As of 30 June 2017*	*As of 31 December2016*	*As of 1 January,2016*
Assets				
Non-current assets				
Property, plant and equipment		16,487,664	16,898,674	17,118,486
Subordinated loan to jointly controlled ventures		-	-	75,000
Investments in jointly controlled ventures	7	2,447,294	2,472,484	2,818,169
Employee loans		111,042	110,454	54,190
Total non-current assets		**19,046,000**	**19,481,612**	**20,065,845**
Current assets				
Inventories	6	961,597	923,702	1,018,811
Prepayments and other receivables		332,492	329,385	245,860
Due from related parties	17	282,718	276,669	222,775
Trade receivables		876,368	562,831	850,227
Term deposits		674,300	794,800	640,000
Cash and cash equivalents		2,582,763	2,833,452	2,505,821
Total current assets		**5,710,238**	5,720,839	5,483,494
Total assets		**24,756,238**	**25,202,451**	**25,549,339**
Liabilities and equity				
Shareholders' equity				
Share capital	8	4,500,000	4,500,000	4,500,000
Statutory reserve		607,979	607,979	599,701
Retained earnings		1,064,226	909,430	839,161
Equity attributable to shareholders of the Company		6,172,205	6,017,409	5,938,862
Non-controlling interests		6,163,273	5,935,089	5,479,433
Total equity		**12,335,478**	**11,952,498**	**11,418,295**
Non-current liabilities				
Long term loans	9	7,499,162	8,164,785	9,492,315
Subordinated loan from non-controlling partner in subsidiary	10	991,192	985,929	949,562
Sukuk	11	1,070,000	1,070,000	1,070,000
Deferred tax liabilities		245,385	221,216	156,876
Employee's end of service benefits	16	141,533	127,022	94,329
Total non-current liabilities		**9,947,272**	**10,568,952**	**11,763,082**
Current liabilities				
Current portion of long term loans	9	1,340,670	1,340,670	1,296,420
Accounts payables		218,438	95,058	127,148
Accruals and other payables		212,167	453,148	368,712
Zakat provision	13	541,839	504,027	371,888
Due to related parties	17	160,374	288,098	203,794
Total current liabilities		**2,473,488**	**2,681,001**	**2,367,962**
Total liabilities		**12,420,760**	**13,249,953**	**14,131,044**
Total equity and liabilities		**24,756,238**	**25,202,451**	**25,549,339**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in SR '000)

		For the three months period ended 30 June		*For the six months period ended 30 June*	
	Notes	*2017*	*2016*	*2017*	*2016*
Sales	18	**1,754,114**	1,642,218	3,439,381	3,302,173
Cost of sales	18	**(1,333,283)**	(1,068,685)	(2,516,150)	(2,303,499)
Gross profit		**420,831**	573,533	923,231	998,674
Share in result of jointly controlled ventures	7	**4,274**	119,411	265,435	151,335
Selling and marketing expenses		**(102,247)**	(96,856)	(201,568)	(194,865)
General and administrative expenses		**(60,499)**	(56,063)	(112,123)	(105,524)
Impairment loss on subordinated loan to jointly controlled ventures		**(7,500)**	(56,250)	(28,125)	(106,875)
Operating profit		**254,859**	483,775	846,850	742,745
Financing charges		**(94,481)**	(59,706)	(154,795)	(115,400)
Other income		**67,064**	4,747	89,878	17,608
Income before zakat and income tax		**227,442**	428,816	781,933	644,953
Zakat and income tax	13	**(7,088)**	(72,854)	(89,826)	(134,860)
Net income for the period		**220,354**	355,962	692,107	510,093
Attributable to:					
Shareholders of the Company		**70,252**	151,470	379,796	180,546
Non-controlling interests		**150,102**	204,492	312,311	329,547
		220,354	355,962	692,107	510,093
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	-	-	-
Other comprehensive income		**220,354**	355,962	692,107	510,093
Attributable to:					
Shareholders of the Company		**70,252**	151,470	379,796	180,546
Non-controlling interests		**150,102**	204,492	312,311	329,547
		220,354	355,962	692,107	510,093
Earnings per share (SR):					
Basic and dilutive earning per share from net profit for the period to shareholders of the Company	12	**0.16**	0.34	0.84	0.40

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in SR '000)

	Shareholders equity attributable to the Company					
	Share capital	*Statutory reserve*	*Retained earnings*	*Total equity attributable to shareholders' equity*	*Non-controlling interests*	*Total equity*
For the three-month period ended at 30 June 2017						
Balance as at 1 January 2017	**4,500,000**	**607,979**	**909,430**	**6,017,409**	**5,935,089**	**11,952,498**
Comprehensive income for the period	**-**	**-**	**379,796**	**379,796**	**312,311**	**692,107**
Dividends (note 21)	**-**	**-**	**(225,000)**	**(225,000)**	**-**	**(225,000)**
Non-controlling interests-dividend	**-**	**-**	**-**	**-**	**(120,000)**	**(120,000)**
Provision for current and deferred income tax attributable to non-Saudi partner	**-**	**-**	**-**	**-**	**35,873**	**35,873**
Balance as at 30 June 2017	**4,500,000**	**607,979**	**1,064,226**	**6,172,205**	**6,163,273**	**12,335,478**
For the three-month period ended at 30 June 2016						
Balance as at 1 January 2016	4,500,000	599,701	839,161	5,938,862	5,479,433	11,418,295
Comprehensive income for the period	-	-	180,546	180,546	329,547	510,093
Provision for current and deferred income tax attributable to non-Saudi partner	-	-	-	-	42,074	42,074
Balance as at 30 June 2016	4,500,000	599,701	1,019,707	6,119,408	5,851,054	11,970,462

The attached notes from (1) to (23) form part of these interim consolidated financial statements and to be read with

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

	Notes	*For the period ended June 30 2017*	*For the period ended June 30 2016*
OPERATING ACTIVITIES:			
Income before zakat and income tax for the period		**781,933**	644,953
Adjustments for:			
Depreciation		**459,786**	400,959
Amortization of deferred charges of loan		**4,712**	-
Gain on sale of property and equipment		**(2)**	-
Financing charges		**154,795**	-
Share in income of jointly controlled ventures		**(265,434)**	(151,335)
Impairment loss on subordinated loan to jointly ventures		**28,125**	-
Changes in:			
Trade receivables		**526,067**	23,437
Prepayments and other receivables and employee loans		**(843,298)**	(24,055)
Employees' end-of-service benefits, net		**14,512**	45,729
Inventories		**(37,895)**	(6,734)
Trade payable		**123,382**	(43,092)
Accruals and other payable		**(226,516)**	(25,738)
Due from/to related parties		**(68,148)**	(810)
		652,019	863,314
Zakat paid	13	**(16,142)**	(3,494)
Financing costs paid		**(144,611)**	-
Net cash provided by operating activities		**491,266**	859,820
INVESTING ACTIVITIES:			
Term deposits		**120,500**	85,750
Additons of property and equipment		**(48,818)**	(128,427)
Proceeds from sale of property and equipment		**44**	-
Dividends received from subsidiary		**120,000**	-
Dividends received from jointly controlled ventures		**225,000**	56,252
Payments of subordinated loan to jointly controlled ventures		**(28,125)**	-
Net cash provided by investing activities		**388,601**	13,575
FINANCING ACTIVITIES:			
Repayment of long-term loans		**(670,335)**	(641,489)
Change in subordinated loan to jointly controlled ventures		**-**	18,013
Dividends paid		**(460,221)**	-
Net cash (used in) financing activities		**(1,130,556)**	(623,476)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(250,689)**	249,919
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2,833,452**	2,419,571
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2,582,763**	2,669,490
Non – Cash transactions:			
Additions of properties and equipment for accruals and other payables		**98,399**	28,123
Dividends attributable to shareholders of the Company		**65,625**	-
Dividends attributable to shareholder’s equity of parent		**4,779**	-

The attached notes from (1) to (23) form part of these interim consolidated financial statements and to be read with

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated 10 Sha'aban 1416H (corresponding to 1 January 1996G).The Company was formed pursuant to Ministry of Commerce and Industry`s resolution number 610 dated 10 Jumad Al-Ula 1416H (corresponding to 5 October 1995G).

The Company is engaged in enhancing the growth and development of the industrial base of the Kingdom, specifically the petrochemicals industry, opening more channels for the exportation of the products and more ways for the private sector in the Kingdom to enter into other industries by using petrochemical products after obtaining the required licenses from the relevant authorities. The company's shares are listed in the Saudi Stock Exchange.

The company's registered office is located at P.O. Box 99833, Riyadh 11625, Saudi Arabia.

The financial year of the Company starts on January 1 and ends on December 31 of each calendar year.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (34), Interim Financial Report, (this is the international standard for the financial report which sets the minimum requirements for the content of the interim financial report) and in accordance with IFRS (1) " First-time Adoption of International Financial Reporting Standards" by using the accounting policies which the company expects to apply in the consolidated financial statements as of 31 December 2017.

The term "IFRSs" that appears in these notes indicates to international financial reporting standards endorsed in the kingdom of Saudi Arabia and the other standards and issues approved by SOCPA. The approved international standards are international standards and interpretations issued by the International Accounting Standards Board ("IASB") in addition to the requirements and disclosures added by SOCPA to some of these standards per its IFRS Adoption Document. Other standards and issues mean the standards and technical opinions approved by SOCPA regarding topics not covered by IFRSs such as zakat.

The interim condensed consolidated financial statements have been prepared on a historical cost basis unless stated otherwise. The interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the country in which the Group is domiciled. The figures in these interim condensed consolidated financial statements have been rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2016. In addition, results for the three and six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements are comprised of the financial statements of the Company and its subsidiary as of 30 June 2017. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if, the Company has all three of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee.
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to exercise its power over the investee to influence its returns.

Generally, there is an assumption that the majority of voting rights result in control, In support of this assumption, when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangement which grants the parent company the ability to direct the relevant activities.
- The Company's voting rights and any potential voting rights.

The Company re-assesses whether it has control over an investee, if the facts and circumstances indicate any changes in one or more of the three control elements. The consolidation of the subsidiary begins from the date when the Company obtains control over the subsidiary and ceases when the Company loses its control over the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Gains or losses and each of the other comprehensive income items are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to make their accounting policies consistent with the Company's accounting policies. All assets, liabilities equity, revenues, expenses and cash flows related to intra-company transactions are entirely eliminated upon consolidation of the financial statements.

Changes in Company's ownership interests in any subsidiary that do not result in loss of control are treated as equity transactions; If the Company lost control over a subsidiary, then:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.

Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

The subsidiary Company included in these interim consolidated financial statements is as follows:

	Country of Incorporation	Ownership %	Principle Activity
National Petrochemical Company "Petrochem"	Saudi Arabia	50	Production and sale of petrochemical materials and products

National Petrochemical Company ("Petrochem") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010246363 dated 8 Rabi Alawal 1429H (corresponding to 16 March 2008G). The Company was formed pursuant to Ministry of Commerce and Industry`s resolution number 53 dated 16 Safar 1429H (corresponding to 23 February 2008G).

Petrochem is engaged in the development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants, wholesale and retail trading in petrochemical materials and products, and owning land, real estate and buildings for its own benefit.

The subsidiaries of Petrochem are as follows:

	Country of Incorporation	Ownership Percentage (%)	Principle Activity
Saudi Polymers Company ("SPCo")	Saudi Arabia	65	Production and sale of polymer products
Gulf Polymers Distribution Company FZCO ("GPDCo")	United Arab Emirates	65	Storing and selling Polymers to Saudi Polymers Company

Saudi Polymers Company ("SPCo")

Saudi Polymers Company ("SPCo") is a mixed limited liability Company registered in Jubail, Kingdom of Saudi Arabia under Commercial Registration number 2055008886 dated 29 Du'alqidah 1429H (corresponding to 15 February 2011G). The activities of Gulf Polymers Distribution Company FZCO ("GPDCo") is limited to storing and selling polymers that was produced by Saudi Polymers Company.

Gulf Polymers Distribution Company FZCO ("GPDCo")

GPDCo is a Free Zone Limited Liability Company registered in the Dubai Airport Free Zone, in the United Arab Emirates, dated 12 Rabi Awal, 1432H (corresponding to 15 February, 2011G). GPDCo's activity is restricted to selling and storing SPCo's polymer products.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT WERE ISSUED BUT NOT YET

The Company has not early adopted some of the new and amended standards and interpretations that were issued but not yet applicable as explained in note (20).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies used in the preparation of the attached condensed interim consolidated financial statements (unaudited) are the same that are expected to be applied as of 31 December 2017. Also, they are the same policies followed in the opening balances for the statement of financial position as of January 1, 2016 and for the financial statements for the year ended as of 31 December 2016. The following are the significant accounting policies that the company has followed in the preparation of the interim condensed consolidated financial statements:

Current versus non-current classification

The Compay presents assets and liabilities in the interim condensed consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

A liability is current when:

- It is held primarily for the purpose of trading;
- It is expected to be settled in the normal operating cycle,
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue represents invoice value of goods supplied by the Company during the year and recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Share in results of jointly controlled ventures
Share of results in jointly controlled ventures is calculated and accounted for using the equity method by recognizing the Company's share in the net income / (loss) of the joint ventures.

Interest income

For all financial instruments measured at amortized cost and interest income on such financial instruments is recorded using the Effective Interest Rate ("EIR"). The EIR is the rate that exactly discounts the estimated future cash flow receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the interim condensed consolidated statement of comprehensive profit or loss and other comprehensive income.

Investment in Joint Ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e. the strategic financial and operating policies and decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as jointly controlled ventures. The Company's in the jointly controlled ventures is accounted for under the equity method whereby the Company's share in the jointly controlled ventures is carried in the interim condensed consolidated balance sheet at cost as adjusted by post-incorporation changes in the Company's share in the net assets of the jointly controlled ventures, less impairment in the value of the investment, if any.

Expenses

All expenses are recognized on accrual basis. Operating costs are recognized on a historical basis. Production costs and direct expenses are classified as cost of sales. All other expenses, including selling and distribution expenses not deducted from sales are classified as selling, general and administrative expenses. Allocation between cost of sales and selling, general and administrative expenses, where required, is made on a consistent basis.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Zakat and Income Tax

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Income Tax (GAZT) in the Kingdom of Saudi Arabia on accruals basis. The provision is charged to the interim condensed consolidated statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

Foreign partners in subsidiaries are subject to income tax, which is included in non-controlling interests in the interim condensed consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Financial instruments – initial recognition and subsequent measurement and De-recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest rate amortization is included in finance income in the interim condensed consolidated statement of profit or loss. The losses arising from impairment are recognized in the interim condensed consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the interim condensed consolidated statement of comprehensive income. Interest income (recorded as finance income in the interim condensed consolidated statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include term loans, Sukuk, due to related parties and accruals and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accruals and other payables

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

Sukuk

After initial recognition, Sukuk are subsequently measured at amortized cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in the interim condensed consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the interim condensed consolidated statement of comprehensive profit or loss and other comprehensive income.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the interim condensed consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments, and non-financial assets at fair value at each interim consolidated statement of financial position date. Fair value related disclosures for financial instruments that are measured at amortized cost are discussed in note (14).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim condensed consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Company analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Projects under construction

Projects under construction are accounted for at cost until the asset is ready for its intended use, thereafter they are capitalized in the relevant assets categories. Projects under construction include the cost of contractors, materials, services, borrowing costs, salaries and other direct costs and overheads allocated on a systematic basis. Projects under construction are not depreciated.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any except for platinum which is accounted for at cost. Also, Property, plant and equipment includes cost of spare parts and cost of financing for long term construction projects when it meets the recognition standards.

Expenditure on maintenance and other repairs is expensed in the interim consolidated profit and loss statement and other comprehensive income when occurred.

Depreciation is recorded when the asset is acquired and is placed in service. For assets being constructed by the group, they will account for it when the assets being constructed are placed in service.

Provided over the estimated useful lives of the applicable assets using the straight line method and residual values. Assets sold or otherwise disposed of and the related accumulated depreciation is removed from the accounts at the time of disposal.

Depreciation for Property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 years
Plant and equipment	4 - 25 years
Office equipment and furniture	4 - 10 years
Computers and communications devices	4 years
Vehicles	4 - 5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is disposed.

When significant parts of property, plant and equipment are required to be replaced of intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria is met.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim condensed consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee Home Ownership Program

The Company has a home ownership program that offers home ownership opportunities for its Saudi employees. The Group provides interest-free housing loans for eligible employees to purchase or construct their own residential units. Such loans are repayable in instalments over a maximum period of 15 years and are secured by mortgage over property purchases. The instalments repayable within one year are classified as other receivables under current assets.

Employees' end of service benefits

The Group operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS (19) Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the postemployment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in equity through the interim condensed consolidated statement of comprehensive income in the period in which they arise.

Cash dividends to equity holders

The Company recognizes a liability to make cash distributions to equity holders of the Group when the distribution is authorized. As per the corporate laws in Kingdom of Saudi Arabia, a distribution is authorized when it is approved by the partners. A corresponding amount is recognized directly in equity.

Statutory reserves

In accordance with the Saudi Arabian Regulations for Companies and the Company's Articles of Association, 10% of annual net income is required to be set aside to form a statutory reserve until such reserve equals 30% of paid-in capital, at which time the Company may discontinue such transfers. Transfers are only made at year ends.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Contingent liabilities

Contingent liabilities are not recognized in the interim condensed consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the interim condensed consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognized in the interim condensed consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the interim condensed consolidated profit or loss statement and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the interim condensed consolidated statement of comprehensive income on a straight-line basis over the lease term.

Inventories

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

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, spare parts and catalysts	Purchase cost on the weighted average basis
Finished goods and work-in-progress	Cost of direct materials and labor plus attributable and a proportion of overheads based on a normal level of activity, but excluding borrowing cost

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either 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.

5. <u>FIRST TIME ADOPTION OF IFRS</u>

IFRS (1) first-time adoption of international financial reporting standards applicable in Saudi Arabia, requires the Company to prepare an opening financial position as at 1 January 2016, after making the necessary adjustments to convert from Saudi generally accepted accounting standards to IFRSs.

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

IFRS 1 requires disclosing the effect of the adjustments, including re-measurement or reclassification adjustments, made to the statements of financial position, income and other comprehensive income due to the changeover from generally accepted accounting standards in Saudi Arabia to IFRSs. These adjustments include reconciliations of equity as at 1 January 2016, 30 June 2016 and 31 December 2016 as well as adjustments to the comprehensive income for the three-month and six periods ended 30 June 2016 and year ended 31 December 2016, as shown below:

5.1 Company's reconciliation of consolidated equity as at 1 January 2016 (date of transition to IFRS)

	Notes	*Saudi GAAP*	*Re-measurements*	*IFRS*
Assets				
Non-current assets				
Property, plant and equipment	(e)	17,066,770	51,716	17,118,486
Subordinated loan to jointly controlled ventures		815,625	(740,625)	75,000
Investments in jointly controlled ventures	(f)	3,209,814	(391,645)	2,818,169
Employees' loans	(d)	63,512	(9,322)	54,190
		21,155,721	(1,089,876)	20,065,845
Current assets				
Inventories		1,018,811	-	1,018,811
Prepayments and other receivables		140,702	105,158	245,860
Due from related parties		222,775	-	222,775
Trade receivable		850,227	-	850,227
Short term deposits		640,000	-	640,000
Cash and cash equivalent		2,505,821	-	2,505,821
		5,378,336	105,158	5,483,494
Total assets		26,534,057	(984,718)	25,549,339
Equity and liabilities				
Equity				
Share capital		4,500,000	-	4,500,000
Statutory reserve		599,701	-	599,701
Retained earnings		1,989,082	(1,149,921)	839,161
Equity attributable to equity shareholders of the Company		7,088,783	(1,149,921)	5,938,862
Non-controlling interests		5,398,886	80,547	5,479,433
Total equity		12,487,669	(1,069,374)	11,418,295

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

		Saudi GAAP	*Re-measurements*	*IFRS*
Non-current liabilities				
Non-current portion of term loans		9,492,315	-	9,492,315
Subordinated loan from a non-controlling partner in a subsidiary	(c)	1,066,173	(116,611)	949,562
Sukuk		1,070,000	-	1,070,000
Deferred tax liabilities	(a)	-	156,876	156,876
Employees end-of-service benefits	(b)	49,938	44,391	94,329
		11,678,426	84,656	11,763,082
Current liabilities				
Current portion of term loans		1,296,420	-	1,296,420
Trade payables		127,148	-	127,148
Accruals and other payables		368,712	-	368,712
Zakat provision		371,888	-	371,888
Due to related parties		203,794	-	203,794
		2,367,962	-	2,367,962
Total liabilities		14,046,388	84,656	14,131,044
Total equity and liabilities		26,534,057	(984,718)	25,549,339

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.1 Company's reconciliation of consolidated equity as at 30 June 2016

	Notes	*Saudi GAAP*	*Re-measurements*	*IFRS*
Assets				
Non-current assets				
Property, plant and equipment	(e)	16,712,084	133,870	16,845,954
Subordinated loan to jointly controlled ventures		922,500	(847,500)	75,000
Investments in jointly controlled ventures		3,320,432	(407,179)	2,913,253
Employees' loans	(d)	68,572	(11,567)	57,005
turnaround costs		133,870	(133,870)	-
		21,157,458	(1,266,246)	19,891,212
Current assets				
Inventories		1,025,545	-	1,025,545
Prepayments and other receivables		82,208	184,892	267,100
Due from related parties		238,058	303	238,361
Trade receivable		807,700	19,090	826,790
Term deposits		500,000	140,500	640,500
Cash and cash equivalents		2,809,989	(140,499)	2,669,490
		5,463,500	204,286	5,667,786
Total assets		26,620,958	(1,061,960)	25,558,998
Equity and liabilities				
Equity				
Share capital		4,500,000	-	4,500,000
Statutory reserve		599,701	-	599,701
Retained earnings		2,292,771	(1,273,064)	1,019,707
Equity attributable to shareholders of the Company		7,392,472	(1,273,064)	6,119,408
Non-controlling interests		5,790,065	60,989	5,851,054
Total equity		13,182,537	(1,212,075)	11,970,462

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.1 Company's reconciliation of consolidated equity as at 30 June 2016 (Contd.)

Non-current liabilities	*Notes*	*Saudi GAAP*	*Re-measurements*	*IFRS*
Long term loans		8,828,701	-	8,828,701
Subordinated loan from a non-controlling partner in a subsidiary	(c)	1,066,172	(98,597)	967,575
Sukuk		1,070,000	-	1,070,000
Deferred tax liabilities	(a)	-	190,361	190,361
Employees' end-of-service benefits	(b)	95,674	44,384	140,058
		11,060,547	136,148	11,196,695
Current liabilities				
Current portion of term loans		1,318,545	-	1,318,545
Accounts payables		58,694	25,362	84,056
Accruals and other payables		321,188	(11,699)	309,489
Zakat provision		461,181	-	461,181
Due to related parties		218,266	304	218,570
		2,377,874	13,967	2,391,841
Total liabilities		13,438,421	150,115	13,588,536
Total equity and liabilities		26,620,958	(1,061,960)	25,558,998

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.1 Company's reconciliation of consolidated equity as at 31 December 2016

	Notes	*Saudi GAAP*	*Re-measurements*	*IFRS*
Assets				
Non-current assets				
Property, plant and equipment	(e)	16,898,572	102	16,898,674
Subordinated loan to jointly controlled ventures		900,000	(900,000)	-
Investments in jointly controlled ventures	(f)	3,117,263	(644,779)	2,472,484
Employees' loans	(d)	144,530	(34,076)	110,454
		21,060,365	(1,578,753)	19,481,612
Current assets				
Inventories		923,702	-	923,702
Prepayments and other receivables		276,670	52,715	329,385
Due from related parties		109,646	167,023	276,669
Trade receivable		562,830	1	562,831
Term deposits		794,800	-	794,800
Cash and cash equivalents		2,833,452	-	2,833,452
		5,501,100	219,739	5,720,839
Total assets		26,561,465	(1,359,014)	25,202,451
Equity and liabilities				
Equity				
Share capital		4,500,000	-	4,500,000
Statutory reserve		649,612	(41,633)	607,979
Retained earnings		2,438,282	(1,528,852)	909,430
Equity attributable to shareholders of the Company		7,587,894	(1,570,485)	6,017,409
Non-controlling interests		5,907,644	27,445	5,935,089
Total equity		13,495,538	(1,543,040)	11,952,498

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.1 Company's reconciliation of consolidated equity as at 31 December 2016 (Contd.)

Non-current liabilities	*Notes*	***Saudi GAAP***	***Re-measurements***	***IFRS***
Long term loans		8,164,785	-	8,164,785
Subordinated loan from a non-controlling partner in a subsidiary	(c)	1,066,172	(80,243)	985,929
Sukuk		1,070,000	-	1,070,000
Deferred tax liabilities	(a)	-	221,216	221,216
Employees' end-of-service benefits	(b)	83,971	43,051	127,022
		10,384,928	184,024	10,568,952
Current liabilities				
Current portion of term loans		1,340,670	-	1,340,670
Trade payables		59,296	35,762	95,058
Accruals and other payables		488,885	(35,737)	453,148
Zakat provision		504,048	(21)	504,027
Due to related parties		288,100	(2)	288,098
		2,680,999	2	2,681,001
Total liabilities		13,065,927	184,026	13,249,953
Total equity and liabilities		26,561,465	(1,359,014)	25,202,451

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.2 Company's reconciliation of consolidated statement of comprehensive income for the three and six month's period ended 30 June 2016.

		For the three months period ended 30 June			*For the six months period ended 30 June*		
	Notes	***Saudi GAAP***	***Re-measurements***	***IFRS***	***Saudi GAAP***	***Re-measurements***	***IFRS***
Sales		1,642,217	1	1,642,218	3,302,173	-	3,302,173
Cost of sales		(1,068,685)	-	(1,068,685)	(2,303,499)	-	(2,303,499)
Gross profit		573,532	1	573,533	998,674	-	998,674
Share in results of jointly controlled ventures		127,377	(7,966)	119,411	166,868	(15,533)	151,335
Selling and marketing expenses		(106,582)	9,726	(96,856)	(197,577)	2,712	(194,865)
General and administrative expenses		(48,408)	(7,655)	(56,063)	(96,521)	(9,003)	(105,524)
Impairment loss on subordinated loan to jointly controlled ventures		-	(56,250)	(56,250)	-	(106,875)	(106,875)
Operating profit		545,919	(62,144)	483,775	871,444	(128,699)	742,745
Finance charges		(48,865)	(10,841)	(59,706)	(93,727)	(21,673)	(115,400)
Other income		5,980	(1,233)	4,747	9,939	7,669	17,608
Profit before zakat and income tax and non-controlling interest		503,034	(74,218)	428,816	787,656	(142,703)	644,953
Zakat and income tax	(a)	(46,933)	(25,921)	(72,854)	(92,786)	(42,074)	(134,860)
Profit for the period		456,101	(100,139)	355,962	694,870	(184,777)	510,093
Attributable to:							
Shareholders of the Company		215,995	(64,525)	151,470	303,691	(123,245)	180,546
Non-controlling interests		240,106	(35,614)	204,492	391,179	(61,632)	329,547
		456,101	(100,139)	355,962	694,870	(184,777)	510,093

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

	For the three months period ended 30 June			*For the six months period ended 30 June*		
	Saudi GAAP	***Re-measurements***	***IFRS***	***Saudi GAAP***	***Re-measurements***	***IFRS***
Other comprehensive income items:						
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
	-	-	-	-	-	-
Comprehensive income for the period	456,101	(100,139)	355,962	694,870	(184,777)	510,093
Attributable to:						
Shareholders of the Company	215,995	(64,525)	151,470	303,691	(123,145)	180,546
Non-controlling interests	240,106	(35,614)	204,492	391,179	(61,632)	329,547
	456,101	(100,139)	355,962	694,870	(184,777)	510,093
EARNINGS PER SHARE (SR):						
Basic and dilutive earning per share from net profit for the period to shareholders of the Company	0.48	(0.14)	0.34	0.67	(0.27)	0.40

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

5.2 Company's reconciliation of consolidated statement of comprehensive income for the year ended 31 December 2016.

	Notes	*Saudi GAAP*	*Re-measurements*	*IFRS*
Sales		6,066,505	-	6,066,505
Cost of sales		(4,469,066)	11,554	(4,457,512)
Gross profit		1,597,439	11,554	1,608,993
Share in result of jointly controlled ventures		338,699	(252,221)	86,478
Selling and marketing expenses		(381,019)	3,375	(377,644)
General and administrative expenses		(227,054)	(3,376)	(230,430)
Impairment loss on subordinated loan to jointly controlled ventures		-	(159,375)	(159,375)
Operating profit		1,328,065	(400,043)	928,022
Finance charges		(187,944)	(65,060)	(253,004)
Other income		20,675	2,563	23,238
Profit before zakat and income tax		1,160,796	(462,540)	698,256
Zakat and income tax	(a)	(152,925)	(64,346)	(217,271)
Profit for the year		1,007,871	(526,886)	480,985
Attributable to:				
Shareholders of the Company		499,113	(416,333)	82,780
Non-controlling interests		508,758	(110,553)	398,205
		1,007,871	(526,886)	480,985
Other comprehensive income item:				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-	-	-
Actuarial from Re-measurement liability of end of services benefits	(b)	-	(10,214)	(10,214)
Comprehensive income for the year		1,007,871	(537,100)	470,771
Attributable to:				
Shareholders of the Company		499,113	(419,653)	79,460
Non-controlling interests		508,758	(117,447)	391,311
		1,007,871	(537,100)	470,771
EARNINGS PER SHARE (SR):				
Basic and dilutive earning per share from net profit for the period to shareholders of the Company		1.11	(0.93)	0.18

5.3 Notes to the reconciliation of equity as at 1 January 2016, 30 June 2016 and 31 December 2016 including total comprehensive income for the period ended 30 June 2016 and year ended 31 December 2016.

a) IAS 12 Income Taxes

Under Saudi GAAP, for an entity which is owned by Saudi nationals and other than Saudi nationals (mixed Company), Zakat and Income tax is an obligation for those partners' and accordingly, those are accounted for as a charge to the partners' equity which is subsequently reimbursed by the partners'. Accordingly, no deferred zakat or income tax was accounted for in those financial statements. Under IAS 12 Zakat and income tax are considered as Company's expense and accordingly charged to the consolidated statement of comprehensive income. The Company is also required to recognize the deferred income tax including zakat on all the taxable/deductible temporary differences. Accordingly, the Company has recognized deferred tax liability, net as at 1 January 2016. Deferred income tax pertaining to prior periods has been charged to opening retained earnings.

b) Employees’ end-of-service benefits

Under SOCPA the Group recognized the provision for employees’ end-of-service benefits for the amounts payable at the balance sheet date in accordance with the employees’ contracts of employment applicable to employees’ accumulated periods of service. However, under IAS (19), the Company is required to recognize an amount of a liability that equals to the net amount of present value of the defined benefit obligation, re-measurement actuarial gains and losses, past service costs and the fair value of any plan assets at statement of financial position.

Accordingly, the Company has restated employees’ end-of-service benefits as at 1 January 2016. The impact of restatement which pertains to prior periods has been charged to opening retained earnings and the additional expense for 1 January 2016 has been charged to the condensed consolidated statement of profit or loss and comprehensive income.

c) Subordinated loans

Under Saudi GAAP, non-interest bearing partners’ subordinated loans were recognized initially at actual loan proceeds. However under IAS (39), these loans should have been recognized initially at fair value, and subsequently shall be measured at amortized costs by using effective interest rate. Accordingly, the Company has restated partners’ subordinated loans as at 1 January 2016 and recognized deferred credit which will be amortized over the loan period.

d) Employees’ loans

Under SOCPA, non-interest bearing employees’ loans were recognized initially at actual loan payments. However, under IAS (39), these loans should have been recognized initially at fair value, and subsequently shall be measured at amortized cost by using Effective Interest Rate ("EIR"). Accordingly, the Company has restated the employees’ loans as at 1 January 2016, the impact of the restatement pertains to prior periods has been charged to opening retained earnings.

e) Property, plant and equipment

Under Saudi GAAP, turnaround costs were classified as a separate asset and presented under accounts receivable. However under IAS (16) 'Property, plant and equipment', such costs are recognized as part of the cost of assets. Accordingly the Company has reclassified such costs under property, plant and equipment.

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

f) Investment in joint ventures and Group's share in results of jointly controlled ventures

Upon the adaption of IFRS by Saudi Chevron Phillips Company ("SCP"), Jubail Chevron Phillips Company ("JCP") and Petrochemical Conversion Company ("PCC") (collectively the "joint ventures") for 1 January 2016, adjustments have been made to the equity of the joint ventures. Under SOCPA, the investment in joint ventures account amounted to SR 3,209,814 thousand which was reduced by a total of SR 391,645 thousand post adaption of IFRS. The adjustments were due to the adjustments in Zakat, deferred tax liabilities, employees' end of service benefits, impairment of property, plant and equipment, subordinate loans to partners and employees' loans. As a result, the investment in joint ventures for the year 1 January 2016 amounted to SR 2,818,169 thousand.

Further, an adjustment of SR 666,678 thousand has been applied to reduce the Group's share in results of jointly controlled ventures from SR 318,275 thousand under SOCPA, to a loss of SR 348,403 thousand under IFRS for 1 January 2016.

6. INVENTORY

	As of 30 June 2017	As of 31 December 2016	As of 1 January 2016
Finished goods	**354,366**	372,149	549,840
Spare parts	**416,070**	6,952	1,718
Raw materials	**3,775**	382,560	354,052
Chemicals	**187,386**	162,041	113,201
	961,597	923,702	1,018,811

7. INVESTMENT IN JOINT VENTURES AND GROUP'S SHARE IN RESULTS OF JOINTLY CONTROLLED VENTURES

Investments in jointly controlled ventures are represented in the following companies which are incorporated as Limited Liability Companies and operating in the Kingdom of Saudi Arabia:

	As of 30 June 2017	**As of 31 December 2016**
Joint venture	**Shareholding %**	**Shareholding %**
Saudi Chevron Phillips Company ("SCP")	50	50
Jubail Chevron Phillips Company ("JCP")	50	50
Petrochemical Conversion Company ("PCC")	50	50

The following summarizes the investments movement during the three-month ended 30 June 2017:

	Saudi Chevron Philips Company ("SCP")	**Jubail Chevron Philips Company ("JCP")**	**Petrochemical Conversion Company ("PCC")**	**Total**
At the beginning of the year	**880,733**	**1,591,751**	**-**	**2,472,484**
The company's share of profit in investments in jointly controlled ventures	**120,697**	**144,738**	**-**	**265,435**
Dividends	**(93,750)**	**(196,875)**	**-**	**(290,625)**
As at 30 June 2017	**907,680**	**1,539,614**	**-**	**2,447,294**

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

The following summarizes the investments movement during the year ended 31 December 2016:

	Saudi Chevron Philips Company ("SCP")	**Jubail Chevron Philips Company ("JCP")**	**Petrochemical Conversion Company ("PCC")**	**Total**
At the beginning of the year	1,008,358	1,374,248	435,563	2,818,169
The company's share of profit (loss) in investments in jointly controlled ventures	219,250	302,791	(435,563)	86,478
The company's share of loss in other comprehensive income	-	(913)	-	(913)
Dividends	(346,875)	(84,375)	-	(431,250)
As at 31 December 2016	880,733	1,591,751	-	2,472,484

During the year ended 31 December 2016, PCC (investment in jointly controlled venture) has recorded losses for the year of SR 1,017,695 thousand however, the Company's share of the losses exceeds the investment in PCC and hence the Company recorded losses for the year of SR 435,563 up to the book value of the Company in PCC.

The following summarizes the investments movement as at 1 January 2016:

	Saudi Chevron Philips Company ("SCP")	**Jubail Chevron Philips Company ("JCP")**	**Petrochemical Conversion Company ("PCC")**	**Total**
At the beginning of the year	1,033,860	1,202,388	1,192,824	3,429,072
Share of income from investments	236,998	171,860	(757,261)	(348,403)
Dividend	(262,500)	-	-	(262,500)
As at 1 January 2016	1,008,358	1,374,248	435,563	2,818,169

8. SHARE CAPITAL

	30 June 2017	***31 Dec 2016***	***1 Jan 2016***
450,000,000 at SR 10 each	**4,500,000**	4,500,000	4,500,000

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

9. LONG TERM LOANS

Consortium of local and foreign commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF). These facilities are secured by various guarantees including pledges over the equipment and bank accounts of the Company. These loans carry varying interest rates in excess of LIBOR and are consistent with the terms of each loan facility agreement. Those loans should be repaid on semi-annual installments. The portion of term loans payable beyond 30 June 2018 has been classified under non-current liabilities. The Company is required to comply with covenants stipulated for in all of the loan facility agreements.

10. SUBORDINATED LOANS FROM A NON-CONTROLLING PARTNER IN A SUBSIDIARY

The subordinated loans from Arabian Chevron Philips Petrochemical Company Limited is a commission free loan granted to SPCo; its repayment is subject to certain covenants being met and minimum cash balances being maintained by SPCo under the terms of the commercial loan facility (Note 9).

11. SUKUK

On 25 Shaban, 1435H, (corresponding to 23 June, 2014G), the Petrochem issued Sukuk amounting to SR 1.2 billion at par value of SR 1,000,000 each with no discount or premium. The Sukuk issuance bears a variable rate of return at SIBOR plus 1.7 % margin, payable semi-annually. The Sukuk is due at maturity at par value on its expiry date of 20 Shawal, 1440H (corresponding to 23 June, 2019 G).

The Sukuk balance in these interim condensed consolidated financial statements amounting to SR 1,070 million (December 31, 2016: SR 1,070 million) represents the value of Sukuk issued after eliminating the value of the Cmpany’s investment in these Sukuk.

12. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

	For the three months period ended 30 June		***For the six months period ended 30 June***	
	2017	***2016***	***2017***	***2016***
Profit for the period for shareholders of the Company	**70,252**	151,470	**379,796**	180,546
Weighted average number of shares outstanding during the period	**450,000**	450,000	**450,000**	450,000
	0.16	0.34	**0.84**	0.40

13. ZAKAT

The Company has filed zakat returns with the General Authority of Zakat and Income Tax (“GAZT”) for all prior years up to 2015. GAZT has raised zakat assessments up to 2006 and the Company has agreed on GAZT`s assessments up to 2001.

The Company has filed an appeal against the assessments for the years 2002 and 2003 before the Higher Appeal Committee against certain items disallowed by GAZT which resulted in a difference of SR 24.4 million. The Higher Appeal Committee issued its ruling, reducing the claim amount to SR 12.4 million and the Company has filed an appeal against the ruling before the Board of Grievances.

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

The Company also appealed before The Preliminary Appeal Committee against zakat assessments for the years 2004 to 2006 against disallowance of certain items which resulted in a difference of SR 17.5 million. The Committee issued its ruling, reducing the claim to SR 16.8 million. The Group has paid the amount of SR 5.7 million and appealed before the Higher Appeal Committee against the amount of SR 11.1 million. As per the management's assessment, the Group has made adequate provision against items under appeals. GAZT Appeal Committee has issued its decision on March 21, 2017 to accept the Company's appeal against the decision of Elementary Objection Committee pertaining its request to deduct loans provided to the associated companies from its Zakat base. The Company obtained an assessments from GAZT, which was based on the support of the appeal committee to the point of view of the company and exempted from the full amount. On May 2017, the letter of guarantee issued by SIIG was refunded to SR 11.1 million. Zakat expense was recorded for the current period after deducting provision for Zakat no longer for use with an amount SR 11.1 million

As for Petrochem, Zakat returns have been filed with the General Authority of Zakat and Income Tax (GAZT) up to the year 2015, zakat has been settled accordingly and the Company has received a restricted certificate for the mentioned year. A number of assessments have been issued by GAZT:

- GAZT has issued an assessment to the Company for the year 2014 claiming additional Zakat of SR 52.5 million. The Company has provided an appeal against the claim within the allowed period. The management believes that the provision made in the consolidated financial statements is adequate to cover any differences that may arise from this claim.

- GAZT has issued an assessment to the Company for the year 2012 claiming additional Zakat of SR 35.5 million. The Company has provided an appeal against the claim within the legal period. Since then, GAZT has claimed for the years of 2011, 2012 and 2013, which combined, resulted in a difference of SR 95.5 million. This claim includes the 2012 difference that was appealed against by the Company. Petrochem is working on appealing against this claim during the allowed period. GAZT Elementary Committee has studied the group's objection and issue its decision on 23 April, 2017 which states that GAZIT pays the Zakat differences amounting 5.7 million SAR and reduce the Zakat claims by around 89.5 million SAR. The company is about to request GAZT to issue an adjusted assessment as result of the preliminary decision in order for the company to makes his decision regarding the appealing process accurately.

- GAZT Elementary Committee has issued a decision for the year 2010 and claimed an additional Zakat amount of SR 74.42 million. The Elementary Committee has issued its ruling, reducing the claim by the amount of SR 74.1 million and now claims additional Zakat amounting to SR 241,485. The Company and the GAZT has appealed against this decision to the Appeal Committee. Where the issuance of the appeal decision No.1713 on April 11, 2017, which supported the initial decision by paying the company Zakat differences of 241,485 SAR and reduce the amount of Zakat claim by GAZT by 74.09 million SAR.

14. FINANCIAL INSTRUMENTS

	30 June 2017	*31 Dec 2016*	*1 Jan 2016*
Employees loans	**111,042**	110,454	54,190
Subordinated loan to jointly controlled ventures	-	-	75,000
Prepayments and other receivables	**332,492**	329,385	245,860
Due from related parties	**282,718**	276,669	222,775
Trade receivables	**876,368**	562,831	850,227
Term deposits	**674,300**	794,800	640,000
Cash and cash equivalent	**2,582,763**	2,833,452	2,505,821
	4,859,683	4,907,591	4,593,873

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

	As at 30 June 2017	*As at 31 Dec 2016*	*As at 1 Jan 2016*
Long term loans	**8,839,832**	9,505,455	10,788,735
Subordinated loan from non-controlling partner	**991,192**	985,929	949,562
Sukuk	**1,070,000**	1,070,000	1,070,000
Trade payables	**218,438**	95,058	127,148
Accruals and other payables	**212,167**	453,148	368,712
Due to related parties	**160,374**	288,098	203,794
	11,492,003	12,397,688	13,507,951

- The management of the Company assessed that the fair values of trade and other receivables, term deposits trade, due from related parties and accounts payables, accruals and other payables, due to related parties and current portion of short term loans approximate their carrying values largely due to the short-term maturities of these financial instruments.
- The management has assessed the fair value of employee loans , long term loans, subordinated loan from non-controlling partner and Sukuk based on level (3) hierarchy, which is not materially different from their respective carrying values.

15. CONTINGENT LIABILITIES

During the normal course of business, the company's local banks have issued to the company bank guarantees amounting to SR 391.5 million (2016: SR 857.3 million). During 2010, the Petrochem and the non-controlling partner resolved to increase the capital of SPCo by SR 3,394 million, which may result in the non-controlling partner incurring additional costs; the management of the Petrochem decided to compensate the non-controlling partner by making annual payments in the future based on the future earnings of SPCo, and considering the non-distributable cash as a result of the proposed capital increase.

16. EMPLOYEES' END-OF-SERVICE BENEFITS

In accordance with the provisions of IAS (19), management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2016 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

- Discount rate 4.3%
- Expected rate of salary increase 5%
- The mortality rates assumed are based on the LIC (1975-79) Ultimate mortality tables, rated down one year.

For the turnover rate, the "low" age-wise withdrawal rates is assumed.

The following is the movement of the present value for unfunded Employees' end-of-service benefits

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

	30 June 2017	***31 Dec 2016***	***1 Jan 2016***
Opening balance	**127,022**	94,329	77,722
Charge to profit/loss	**16,730**	23,305	21,148
Benefits paid	**(2,219)**	(826)	(3,623)
Actuarial re-measurement gains/(loss) on employees' end-of-service benefit	**-**	10,214	(918)
	141,533	127,022	94,329

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors, and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Following is the list of major related parties of the Company:

Name of related party	**Nature of relationship**
National Petrochemical Company (A Saudi Joint Stock Company)	Subsidiary Company
Board of Directors, Committees and Senior Executives	Key management personnel
Arabian Chevron Phillips Petrochemical Company	Non-controlling partner in a subsidiary
Chevron Phillips Chemical International Sales LLC	Affiliated company
Petrochemical Conversion Company	Jointly controlled venture
Saudi Chevron Phillips Company	Jointly controlled venture
Jubail Chevron Phillips Company	Jointly controlled venture

The following are the details of related parties' transactions for the period / year ended as of:

		Amount of transaction			
Related party	**Nature of transaction**	**30 June 2017**	**30 June 2016**	**31 December 2016**	**1 Jan 2016**
Arabian Chevron Phillips Petrochemical Company	Repayment of subordinated loan	**-**	**-**	-	(65,625)
Committees, Board of Directors and Senior Executives	Salaries and benefits	**3,373**	**4,011**	7,491	8,358
Saudi Chevron Phillips Company	Sales	**105,081**	**69,323**	133,616	174,709
	Purchases	**(2,725)**	**(6,549)**	(23,693)	(38,618)
	Cost of sales - services provided	**(134,741)**	**(143,387)**	(277,343)	(282,476)
	General & administration expenses - services provided	**(60,334)**	**(57,668)**	(124,339)	(116,377)
Jubail Chevron Phillips Company	Sales	**86,904**	**68,438**	134,194	94,215
	Purchases	**(556,252)**	**(529,755)**	(910,009)	(857,198)
Chevron Phillips Chemical International Sales LLC	Marketing fees	**(126,315)**	**(117,408)**	(223,800)	(293,258)
Chevron Phillips chemical global Company employment LLC	General & administration expenses - services provided	(47,415)	**(61,735)**	(165)	(357)
	Sales and distribution - services provided	**-**	**-**	(334)	(1,879)
	Cost of sales - services provided	**-**	**-**	(71,025)	(90,649)

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

Year-end / period balances resulting from transactions with related parties are listed below:

a) Due from related parties

	30,June 2017	*December 31, 2016*	*Jan 1, 2016*
Saudi Chevron Philips Company	**178,308**	236,239	180,773
Jubail Chevron Philips Company	**104,404**	40,424	41,996
Petrochemical Conversion Company	**6**	6	6
	282,718	276,669	222,775

b) Due to related parties

	30,June 2017	*December 31, 2016*	*Jan 1, 2016*
Saudi Chevron Philips Company	**48,646**	155,138	88,212
Jubail Chevron Philips Company	**70,127**	106,902	71,951
Chevron Philips Chemical International sales Inc.	**41,601**	26,058	43,631
	160,374	288,098	203,794

c) Subordinated loan from non-controlling partner	**991,192**	985,929	949,562

As set out in Note (10), a non-controlling partner has provided a loan to one of the Company's subsidiaries, the amount outstanding as at 30 June 2017 being SR 991.2 million (December 31, 2016: SR 985.9 million) (January 1, 2016: SR 949.6 million)

d) Terms and conditions of transactions with related parties

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. Three month period ended 30 June 2017 and year ended 31 December 2016, the Company has not recorded any impairment with respect to due from related party and due to related party. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

e) Transactions with key management personnel

Key management personnel of the Group comprise of the board of directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

The key management personnel compensation is as follows:

	30 June 2017	***31 Dec 2016***	***1 Jan 2016***
Short-term of the board of directors and employee benefits	**9,973**	13,844	24,554
End of service benefits	**591**	757	1,270
	10,564	14,601	25,824

(All amounts are presented in thousands Saudi riyals unless otherwise indicated)

f) Employee loans

The Company has given employees' to purchase houses with regards to the homeownership program that offers home ownership opportunities for its Saudi employees.

18. SEGMENTAL INFORMATION

Development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants and wholesale and retail trading in petrochemical materials and products.

a) Saudi Chevron Philips Company ("SCP"): Producing and selling of aromatics, solvents and cyclohexane.

b) Jubail Chevron Philips Company ("JCP"): Manufacturing and selling styrene, mogas blend stock, aromatic benzene, fuel oil, ethyl benzene, ethylene, propylene, liquefied petroleum gas and aromax feed.

c) Petrochemical Conversion Company ("PCC"): Nylon 6.6 production, nylon compounding, and various plastics conversion operations.

In terms of performance evaluation and resource allocation, the company's management believes that all the activities and operations of the company constitute one business sector, the petrochemical sector. Accordingly, financial reports are issued only to the operational segments.

The operational assets for the company are in the Kingdom of Saudi Arabia. The following are the company's sales divided by the operational segments:

30 June 2017	Petrochem	SCP	JCP	PCC	Head office	Adjustments	Total
Sales	**3,439,381**	**-**	**-**	**-**	**-**	**-**	**3,439,381**
Gross profit	**923,231**	**-**	**-**	**-**	**-**	**-**	**923,231**
Net income (loss)	**300,175**	**120,696**	**144,738**	**-**	**(35,725)**	**(150,088)**	**379,796**
Total assets	**21,699,172**	**914,814**	**1,539,614**	**-**	**6.297,878**	**(5,695,240)**	**24,756,238**
Total liabilities	**12,426,883**	**-**	**-**	**-**	**125,674**	**(131,797)**	**12,420,760**
31 December 2016							
Sales	6,066,505	-	-	-	-	-	6,066,505
Gross profit	1,608,993	-	-	-	-	-	1,608,993
Net income (loss)	397,371	219,250	302,791	(435,564)	(202,385)	(198,685)	82,780
Total assets	22,259,635	880,732	1,592,664	-	6,153,129	(5,683,709)	25,202,451
Total liabilities	13,245,617	-	-	-	134,807	(130,471)	13,249,953
1 January 2016							
Sales	7,304,171	-	-	-	-	-	7,304,171
Gross profit	2,479,133	-	-	-	-	-	2,479,133
Net income (loss)	903,760	236,998	171,860	(435,564)	(521,523)	(272,752)	82,779
Total assets	22,507,821	1,008,357	1,374,248	757,261	7,205,218	(7,303,566)	25,549,339
Total liabilities	14,144,827	-	-	-	116,437	(130,220)	14,131,044

19. CAPITAL COMMITMENTS

The balance of unused capital expenditure approved by the Board of Directors in connection with the construction of the additional units and facilities for SPCo's plant is SR 116 million (31 December 2016: SR 161 million).

20. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS (9) ***Financial Instruments***

In July 2014, the International Accounting Standards Board issued the final version of IFRS (9) **Financial Instruments**. IFRS (9) substitutes the international accounting standard No. (39) **Financial Instruments** "Recognition and measurement "and all the previous issuance for IFRS (9).

IFRS (9) contains three accounting aspects of the financial instruments: classification and measurement, impairment and hedge accounting. IFRS (9) is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted except for hedge accounting. The application of IFRS 9 should be retrospectively, but the comparative information is not mandatory. Generally, for hedge accounting's requirements should be applied prospectively with some limited exceptions.

IFRS (15) ***Revenue from Contracts with Customers***

In May 2014, the International Accounting Standards Board issued the final version of IFRS (15) Revenue from Contracts with Customers, which is a five step model that must be applied on all revenues from contracts with customers. According to IFRS (15), an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There should be full retrospective approach or modified retrospective approach for the periods which begins on or after January 1, 2018 where the International Accounting Standards Board has postponed the issuance of the standard for one year to make necessary changes. The Group currently plans to apply IFRS 15 initially on 1 January 2018 by using the full retrospective approach.

IFRS (10) and IAS (28) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS (10) and IAS (28).

The amendments address the conflict between IFRS 10 and IAS (28) in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS (3) Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The amendments must be applied prospectively.

IFRIC Interpretation (22) **Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

IFRIC interpretations are effective for annual periods beginning on or after 1 January 2018. Early adoption of interpretation is allowed with disclosure. Those who apply the IFRS for the first time are also allowed to apply prospectively to all assets, expenses and income that are recognized initially on or after the transition date to the financial reporting standards.

These amendments are intended to eliminate diversity in practice when the relevant asset, expense or income (or part thereof) is recognized when the recognition of non-monetary assets or non-monetary liabilities relating to the price paid in advance or received in advance in foreign currency is canceled. The company will conduct more detailed assessments in the future to determine the impact.

The possible impact of the new and amendments IFRS that has been issued and not effective yet

The company is currently prepared a detailed study to reach a reasonable assessment of the impact of the application of these standards on the amounts and disclosures of the company. The Company shall disclose this at the end of the detailed study.

21. DIVIDENDS

The General Assembly meeting of the Company held on April 18, 2017 approved a dividend of SR 225 million (SR 5 per share) for shareholders of the Company registered with the Securities Depository Center at the end of the day Assembly.

22. SUBSEQUENT EVENTS TO THE DATE OF THE INTERIM FINANCIAL REPORT

There have been no subsequent events since the period end that would have a disclosure or amendments on condensed interim consolidated financial statements (unaudited).

23. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The condensed interim consolidated financial statements were approved by the Audit Committee (under an authorization from the Board of Directors) at 16 Dhul Qa'dah 1438H, corresponding to 8 August, 2017.