SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017
AND INDEPENDENT AUDITOR REVIEW REPORT

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

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Independent auditors' review report on the interim condensed financial statements to the shareholders of Saudi Arabian Fertilizers Company (SAFCO)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Saudi Arabian Fertilizers Company ("the Company") as at 31 March 2017, and the related interim condensed statements of income and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial statements in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" and International Financial Reporting Standard 1, "*First-time adoption of International Financial Reporting Standards*" that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 that are endorsed in the Kingdom of Saudi Arabia 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 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia.

Other Matter:

As described in Note 2, the financial statements of the Company for the year ended 31 December 2016 were prepared under accounting standards generally accepted in the Kingdom of Saudi Arabia on which we issued an unqualified audit opinion dated 17 Jumada' I 1438H (corresponding to 14 February 2017). However, we have performed certain procedures on the adjustments to these comparative figures required for presentation under International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organisation for Certified Public Accountants ("SOCPA").

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. *339*

2 Sha'ban 1438H
28 April 2017

Al Khobar

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PROFESSIONAL LICENCE No. 45

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 31 March 2017
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	**March 31, 2017**	**December 31, 2016**	**January 1, 2016**
Assets				
Non-current assets				
Property, plant and equipment		5,527,522	5,441,935	5,116,318
Intangible assets		34,691	34,691	26,910
Investment in an associate		610,252	633,005	579,089
Available-for-sale investments	*11*	543,236	512,867	307,587
Other non-current assets		158,559	164,988	119,584
		6,874,260	6,787,486	6,149,488
Current assets				
Inventories		420,437	417,507	362,715
Accounts receivables	*12*	619,111	496,887	681,956
Prepayments and other current assets		226,689	240,595	244,759
Cash and cash equivalents		452,195	285,172	1,429,172
		1,718,432	1,440,161	2,718,602
Total assets		**8,592,692**	**8,227,647**	**8,868,090**
Equity and liabilities				
Equity				
Share capital	*7*	4,166,667	4,166,667	4,166,667
Statutory reserve	*15*	1,250,000	1,985,276	1,879,710
General reserve	*15*	-	45,105	45,105
Retained earnings		837,716	52,041	942,932
Unrealized gain from available for sale investments		448,331	417,962	212,682
Total Equity		**6,702,714**	**6,667,051**	**7,247,096**
Non-current liabilities				
Obligations under finance lease		10,966	11,045	2,215
Employee benefits obligations	*8*	672,760	671,491	758,510
		683,726	682,536	760,725
Current liabilities				
Obligations under finance lease		365	358	272
Trade payables		205,142	237,281	168,058
Accrued and other current liabilities		369,844	420,755	435,762
Dividends payable		591,277	178,724	185,537
Zakat provision	*9*	39,624	40,942	70,640
		1,206,252	878,060	860,269
Total liabilities		**1,889,978**	**1,560,596**	**1,620,994**
Total equity and liabilities		8,592,692	8,227,647	8,868,090

Designated Member	**Company President**	**Finance Director**
Abdulaziz H. Al-Habdan	Ahmed M. Al-Jabr	Abdullah A. Al-Ghamdi

The attached notes from1 to 16 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
For the three-month period ended 31 March 2017
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	**Three month period ended March 31, 2017**	**Three month period ended March 31, 2016**
Sales		846,646	691,230
Cost of sales		(367,122)	(337,107)
Gross profit		479,524	354,123
Selling and distribution expenses		(27,216)	(28,855)
General and administrative expenses		(57,749)	(67,081)
Operating profit		394,559	258,187
Share of the profit of an associate		27,247	29,298
Finance charges		(6,450)	(7,217)
Other income, net		14,755	7,742
Income before zakat		430,111	288,010
Zakat	*9*	(6,750)	(9,000)
Net income for the period		**423,361**	**279,010**
Other comprehensive income for the period			
Other comprehensive income to be reclassified to income in subsequent periods:			
Net gain on available-for-sale (AFS) investments		30,369	62,448
Other comprehensive income not to be reclassified to income in subsequent periods:			
Remeasurement losses on defined benefit plans		-	(22,732)
Other comprehensive income for the period		**30,369**	**39,716**
Total comprehensive income for the period		**453,730**	**318,726**
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share attributable to the equity holders of the Company	*10*	**1.02**	**0.67**

Designated Member	**Company President**	**Finance Director**
Abdulaziz H. Al-Habdan	Ahmed M. Al-Jabr	Abdullah A. Al-Ghamdi

The attached notes from 1 to 16 form part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the year ended 31 December 2016
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Share capital	**Statutory reserve**	**General reserve**	**Retained earnings**	**Unrealized gain from available for sale investments**	**Total**
Balance as at January 1, 2016	4,166,667	1,879,710	45,105	942,932	212,682	7,247,096
Net income for the period	-	-	-	279,010	-	279,010
Other comprehensive income for the period	-	-	-	(22,732)	62,448	39,716
Total comprehensive income for the period	-	-	-	256,278	62,448	318,726
Dividends	-	-	-	(1,250,000)	-	(1,250,000)
Balance as at March 31, 2016	**4,166,667**	**1,879,710**	**45,105**	**(50,790)**	**275,130**	**6,315,822**
Net income for the remainder of the year	-	-	-	755,409		755,409
Other comprehensive income for the remainder of the year	-	-	-	79,388	142,832	222,220
Total comprehensive income for the remainder of the year	-	-	-	834,797	142,832	977,629
Transfer to statutory reserve	-	105,566	-	(105,566)	-	-
Dividends	-	-	-	(625,000)	-	(625,000)
Directors' remuneration	-	-	-	(1,400)	-	(1,400)
Balance as at December 31, 2016	**4,166,667**	**1,985,276**	**45,105**	**52,041**	**417,962**	**6,667,051**

The attached notes from 1 to 16 form part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) (CONTINUED)
For the three-month period ended 31 March 2017
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Retained earnings	Unrealized gain from available for sale investments	Total
Balance as at January 1, 2017	4,166,667	1,985,276	45,105	52,041	417,962	6,667,051
Net income for the period	-	-	-	423,361	-	423,361
Other comprehensive income for the period	-	-	-	-	30,369	30,369
Total comprehensive income for the period	-	-	-	423,361	30,369	453,730
Transfer from statutory reserve to retained earnings (note 14)	-	(735,276)	-	735,276	-	-
Transfer from general reserve to retained earnings (note 14)	-	-	(45,105)	45,105	-	-
Dividends	-	-	-	(416,667)	-	(416,667)
Directors' remuneration	-	-	-	(1,400)	-	(1,400)
Balance as at March 31, 2017	**4,166,667**	**1,250,000**	-	**837,716**	**448,331**	**6,702,714**

Designated Member	Company President	Finance Director
Abdulaziz H. Al-Habdan	Ahmed M. Al-Jabr	Abdullah A. Al-Ghamdi

The attached notes from 1 to 16 form part of these interim condensed financial statements.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

ITERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)
For the three months period ended 31 March 2017
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Three month period ended March 31, 2017	Three month period ended March 31, 2016
Cash flow from operating activities:		
Income before zakat	430,111	288,010
Adjustment to reconcile income to net cash provided by operating activities:		
Depreciation	78,535	107,578
Non-cash post employee benefits expense	15,233	20,706
Net loss on disposal of property, plant and equipment	-	41
Share of profits of an associate	(27,247)	(29,298)
Finance charges	639	217
	497,271	387,254
Working capital adjustments:		
Inventories	(2,930)	(36,045)
Accounts receivables	(122,224)	42,966
Prepayments and other current assets	13,906	101,832
Trade payables	(32,139)	(76,910)
Accrued and other current liabilities	(50,911)	22,859
Cash generated from operations	302,973	441,956
Finance charges paid	(639)	(217)
Employee benefits paid	(13,964)	(4,850)
Zakat and income taxes paid	(8,068)	-
Net cash flows from operating activities	280,302	436,889
Cash flows from investing activities:		
Purchases of property, plant and equipment	(164,122)	(135,921)
Dividends received from an associate	50,000	-
Net movement in other non-current assets	6,429	(41,173)
Net cash flows used in investing activities	(107,693)	(177,094)
Cash flow from financing activities:		
Movement in obligations under capital lease	(72)	(67)
Dividends and directors' remuneration paid	(5,514)	(9,317)
Net cash flows used in financing activities	(5,586)	(9,384)
Net increase in cash and cash equivalents	167,023	250,411
Cash and cash equivalents at the beginning of the period	285,172	1,429,172
Cash and cash equivalents at the end of the period	452,195	1,679,583

Supplemental non-cash transactions:

Dividends declared and not paid	(416,667)	(1,250,000)

Designated Member	**Company President**	**Finance Director**
Abdulaziz H. Al-Habdan	Ahmed M. Al-Jabr	Abdullah A. Al-Ghamdi

The attached notes from 1 to 16 form part of these interim condensed financial statements.

1 Corporate information

Saudi Arabian Fertilizers Company is a Saudi Joint Stock Company (the "Company" or "SAFCO") incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul al-Hijjah1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch.

The Company's present principal business activity is the manufacture and conversion of Urea and Ammonia.

SAFCO holds a 50% equity interest in National Chemical Fertilizers Company ("Ibn Al Baytar"), 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd") and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

The interim condensed financial statements of SAFCO for the three months ended 31 March 2017 were authorised for issue on 28 April 2017.

These interim condensed financial statements have been reviewed, not audited.

2 Basis of preparation

2.1 Statement of compliance

For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with the Generally Accepted Accounting Standards in the Kingdom of Saudi Arabia. These interim condensed financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia.

These are the Company's first interim condensed financial statements prepared in accordance with international Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organisation for Certified Public Accountants ("IFRS") for part of the period covered by the first IFRS annual financial statements and accordingly, IFRS 1 First-Time Adoption of International Financial Reporting Standards ("IFRS 1") endorsed in the Kingdom of Saudi Arabia has been applied. Refer to note 6 for information on the first time adoption of IFRS by the Company.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements compliant with IFRS, which would be produced as at 31 December 2017.

2.2 Basis of measurement

The interim condensed financial statements are prepared under the historical cost convention, except for the measurement at fair value of Available-For-Sale ("AFS") investments, using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

All values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

3 Significant accounting estimates, assumptions and judgments

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

3.1.1 Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.1.2 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

3.2 Critical judgments in applying accounting standards

The following critical judgments have the most significant effect on the amounts recognized in the interim condensed financial statements:

3.2.1 Component parts of property, plant and equipment

The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Company does not expect to adopt the new standard before 1 January 2018.

While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets include:

- equity instruments currently classified as AFS for which a FVOCI election is available
- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9, and
- debt instruments currently classified as held-to-maturity and measured at amortized cost which appear to meet the conditions for classification at amortized cost under IFRS 9.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

4 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

At this stage, the Company is not able to estimate the effect of the new rules on the Company's interim condensed financial statements. The Company will make more detailed assessments of the effect over the next twelve months. The Company does not expect to adopt the new standard before 1 January 2018.

IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and lease assets; however, this exemption can only be applied by lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date for adoption for the standard is 1 January 2019.

5 Summary of significant accounting polices

Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. This is generally the case where the Company holds between 20% and 50% of the voting rights.

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in the statement of income, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income.

Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The interim condensed statement of income reflects the Company's share of the results of operations of the associate. Any change in OCI of this associate is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the interim condensed statement of income outside operating profit.

The financial statements of the associate should be for the same reporting period as the Company. If not, then adjustments are made to bring the balances and transactions to be at / for the reporting period similar to the Company. Adjustments shall also be made to bring the balances and transactions in line with the accounting policies of the Company, in case the accounting policies of such associate differ from those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate' in the interim condensed statement of income and other comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the interim condensed statement of income.

5 Summary of significant accounting polices (continued)

Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded by the Company 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 statement of income and other comprehensive income.

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- 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 expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures financial instruments, such as, available for sale investments, at fair value at each reporting date.

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

5 Summary of significant accounting polices (continued)

Fair value measurement (continued)

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 best economic 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 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the 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 policies and procedures for both recurring fair value measurement, such as unquoted available for sales (AFS) financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, are evaluated periodically.

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.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of returns.

5 Summary of significant accounting polices (continued)

Revenue recognition (continued)

Revenue from the sale of products is recognized when the significant risks and rewards of ownership of the products have passed to the buyer, usually on delivery of the goods. Revenues represent the invoiced value of products shipped by the Company during the period, net of any trade and quantity discounts.

Where the Company assesses itself as the principal, it records all relevant sales and costs of sale for the goods sold.

Expenses

Cost of sales

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Company. These costs typically include marketing and distribution and logistics expenses as well as marketing fees. These also include allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of sales or selling and distribution expenses.

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

Finance income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the interim condensed statement of income and other comprehensive income. Earnings on time deposits are recognized on an accrual basis.

5 Summary of significant accounting polices (continued)

Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia and on accruals basis and is based on the period share of the estimated zakat for the whole year. The provision is charged to the interim condensed statement of income and other comprehensive income.

Cash dividends and non-cash distributions to equity holders

The Company recognises a liability to make cash distribution to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Distribution authorization is assessed in line with the Companies Law in the Kingdom of Saudi Arabia, of which a distribution is authorised when approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors based on prior delegation from the General Assembly.

Non-cash distributions, if any, shall be measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the interim condensed statement of income and other comprehensive income.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it. Pre-operating costs during startup period net of proceeds from sale of trial production, are included as part of cost of the relevant item of property, plant and equipment, provided it is a directly attributable cost which meet the recognition criteria, and only up to the point the asset is in a condition ready for intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround/shutdown, planned) is performed, its directly attributable cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately. All other repair and maintenance costs are recognized in the interim condensed statement of income and other comprehensive income as incurred.

5 Summary of significant accounting polices (continued)

Property, plant and equipment (continued)

Owned assets (continued)

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Company will periodically assess the expectation and estimation for the decommissioning liability.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	13-40 years
Plant and equipment	4-50 years
Major maintenance parts	3 years
Others	4-10 years

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year–end.

Assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim condensed statement of income and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. This may indicate existence of a potential embedded lease in a transaction which may prima facie not be in the nature of a lease agreement. All leases, whether an explicit lease agreement or an embedded lease within any other agreements or arrangements, shall be assessed for classification as finance lease or operating lease.

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, shall be classified as finance lease and shall be capitalized at the commencement of the lease at the 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 statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Leased assets (continued)

A leased asset will be depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the interim condensed statement of income and other comprehensive income on a straight-line basis over the period of the lease.

Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the interim condensed statement of income and other comprehensive income in the expense category consistent with the function of the intangible asset.

The amortization period for intangible assets with a finite useful life is as follows:

Software	7 years

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the interim condensed statement of income and other comprehensive income when the asset is derecognized.

5 Summary of significant accounting polices (continued)

Intangible assets (continued)

Software

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- ·it is technically feasible to complete the software so that it will be available for use
- ·management intends to complete the software and use or sell it
- ·there is an ability to use or sell the software
- ·it can be demonstrated how the software will generate probable future economic benefits
- ·adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- ·the expenditure attributable to the software during its development can be reliably measured.

Directly attribute costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset maybe impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual asset are allocated. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized in the interim condensed statement of income and other comprehensive income in those expense categories consistent with the function of the impaired asset.

5 Summary of significant accounting polices (continued)

Impairment of non-financial assets (continued)

Irrespective of whether there is any indication of impairment, the Company shall also test intangible assets with an indefinite useful life (including goodwill) or intangible assets not yet available for use for impairment annually by comparing their carrying amount with respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognized during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may 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. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and other comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as accounts receivables or available-for-sale financial assets, 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Accounts receivables
- Available-for-sale financial investments

Accounts receivables

Accounts 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 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 EIR amortization is included in finance income in the interim condensed statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Financial assets (continued)

Available-for-sale (AFS) investments

AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, AFS financial investments are subsequently measured at fair value (except for those un-quoted equity instrument for which cost exemption is applied) with unrealized gains or losses recognized in OCI and credited in the Unrealized gain from available for sale investments until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the Unrealized gain from available for sale investmentsto the interim condensed statement of income and other comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

Un-quoted equity instruments are carried at cost because its fair value cannot be measured reliably.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to the interim condensed statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the interim condensed statement of income and other comprehensive income.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

5 Summary of significant accounting polices (continued)

Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting 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 Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a Company of debtors are experiencing significant financial difficulty, default or delinquency in interest or 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.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a Company of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the interim condensed statement of income – is removed from OCI and recognized in the interim condensed statement of income. Impairment losses on equity investments are not reversed through the interim condensed statement of income; increases in their fair value after impairment are recognized in OCI.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the interim condensed statement of income and other comprehensive income, the impairment loss is reversed through the interim condensed statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the two classes at initial recognition:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest rate method

The category of financial liability at fair value through profit or loss has two subcategories:

- Designated: A financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognized initially when the Company becomes party to a contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at fair value through profit and loss will continue to be recorded at fair value with changes being recorded in the interim condensed statement of income and other comprehensive income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in interim condensed statement of income when the liabilities are derecognized as well as through the effective interest rate 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 effective interest rate method. The effective interest rate amortization is included as finance costs in the interim condensed statement of income and other comprehensive income.

De-recognition

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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim condensed statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Offsetting of financial instruments

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

Inventories

Inventories, including raw materials, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation), or the net realizable value.

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

Scrap inventory, co-product and by-product

Production process in the Company sometimes results in production of co-product simultaneously, or may result in some by-products or scraps (either non-usable or recyclable). When the costs of conversion of such co/by-product and/or scrap are not separately identifiable from the main product cost, they are allocated on a rational and consistent basis to such products and co/by-product and scrap. The allocation is based on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production.

Where by-products and scrap are immaterial and where costs cannot be allocated to them or it is inefficient to do so, these items are measured under inventory at net realizable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product inventory is not materially different from its cost.

In the interim condensed statement of income, the net realizable value for the by-products and scrap reduces the cost of sales for the period. Upon subsequent sale of such by-product, the proceeds is recorded as revenue with a corresponding cost of sale being recorded based on earlier recorded net realizable value, while for scrap, the proceeds, net of cost is recorded as other income.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

5 Summary of significant accounting polices (continued)

Inventories (continued)

Consumable spare parts (continued)

Spare parts are the interchangeable parts of plant and equipment which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.

- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.

- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the interim condensed statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

Cash and cash equivalents

Cash and cash equivalents include bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the interim condensed cash flow statement, the cash and cash equivalents will also include bank overdrafts which are presented under borrowings in current liabilities in the interim condensed statement of financial position.

5 Summary of significant accounting polices (continued)

Trade receivables

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 30 to 60 days term, less any provision for doubtful debts and impairment. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the interim condensed statement of income as incurred.

Other receivables include supplier advances and employee receivables and other such receivables which are not 'trade' receivables. Other receivables are stated at amortized cost which generally corresponds to their face value. Allowance for doubtful receivables is assessed as per methodology noted above.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

General

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 management of 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 any provision is presented in condensed statement of 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee end of service benefits and post-employment benefits

Short-term obligations

Liabilities for wages and salaries, including accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in interim condensed statement of financial position.

5 Summary of significant accounting polices (continued)

Other long-term employee benefit obligations

Other long-term employee benefit obligations (including continuous service awards, long service leave and annual leave which are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service) are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expect future wage and salary levels, experience of employee departures, historic attrition rates and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the interim condensed statement of income and other comprehensive income.

The obligations are presented as current liabilities in the interim condensed statement of financial position if the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Post-employment obligation

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans and post-employment medical for eligible employees and their dependents.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions in to a separate entity and will have no legal or constructive obligation to pay amounts. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Eligible employees who participate in defined contribution plan may also invest a portion of their earnings in various program funds.

The Company operates a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance and for purpose of presentation in the financial statement, it is offset with the related liability under the savings plan and net liability to employees is reported under the employee benefits liability.

5 Summary of significant accounting polices (continued)

Employee end of service benefits and post-employment benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service benefits, pension plans and post-retirement medical which qualify as defined benefit plans.

(a) End of service pension awards

The net pension asset or liability recognized in the interim condensed statement of financial position in respect of defined benefit post-employment plans is the fair value of plan assets, if any, less the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the interim condensed statement of income and other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in other comprehensive income (OCI).

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the interim condensed statement of income and other comprehensive income as past service costs.

Valuations of the obligations under these plans are carried out by independent actuaries based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor and Workmen law as well as Company policy.

5 Summary of significant accounting polices (continued)

Employee end of service benefits and post-employment benefits (continued)

Defined benefit plans (continued)

(b) Medical insurance

The Company provides post-retirement healthcare to its eligible retirees and their dependents. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

The accounting for these plans requires that management makes certain assumptions relating to discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. These estimates are highly susceptible to change from period to period based on the performance of plan assets (if any), actuarial valuations, market conditions and contracted benefit changes. The selection of assumptions is based on historical trends, future estimates based on economic and market conditions at the time of valuation. However, actual results may differ substantially from the estimates that were based on the critical assumptions used.

Termination benefits (early retirement program)

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Employee Home Ownership Program (HOP)

The Company has established employee's home ownership programs (HOP) that offer eligible employees the opportunity to buy residential units constructed by the Company through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.
Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Company. The requirements relating to financial instruments do not apply to such accumulated balance as paragraph 2(c) of IAS 39 specifically excludes employers' rights and obligations under employee benefit plans. Repayment of such amount in the event that an employee leaves before entitlement to the house has vested represents a potential employer's obligation to which IAS 19 applies. IAS 19 requires measuring such an obligation on an expected outcome basis.

5 Summary of significant accounting polices (continued)

Employee end of service benefits and post-employment benefits (continued)

Employee Home Loan Program (HLP)

The Company provides interest free home loan to its eligible employees for one time only during the period of the service for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's housing allowances.

HLP is recognized as a non-current financial asset at fair value and measured at amortized cost using the effective interest rate method. The difference between the fair value and the actual amount of cash given to the employee is recognized as a "non-current prepaid employee benefits" and is amortized as an expense equally over the period of service. The same amount is also amortized as interest income against the receivable from employees.

Executive vehicles

The Company grants eligible employees a company owned vehicle up to a specific value. The benefit is provided to employees against their services for a fixed period of years. The employee also has an option to opt for a higher value vehicle and the difference in value is contributed by the employee. The vehicle shall remain the property of the Company. The Company's Human Resource policy governs the arrangement with the employee and may define conditions under which such vehicle can be transferred to employee.

Earnings per share

Basic earnings per share is calculated by dividing:

- the income attributable to Equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Reserves

Company currently has statutory, general and other reserves under equity. Statutory reserve is based on statutory requirements. In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution.

The general reserve is established pursuant to decision from the General Assembly. As per applicable regulations, the General Assembly can establish a general reserve as an appropriation of retained earnings. The general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

6 First-time adoption of IFRS

Until the year ended December 31, 2016, the Company prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia. From January 1, 2017 onwards the Company is required to prepare its financial statements in accordance with IFRS as endorsed by SOCPA.

As the Company publishes comparative information for one year in its financial statements, the date for transition to IFRS is January 1, 2016, this being the start of the earliest period for which comparative information is given. The financial information of the Company according to IFRS has been prepared on the basis of IFRS effective as at January 1, 2016.

These interim condensed financial statements have been prepared in accordance with the accounting policies described in note 5.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

The following is a reconciliation of the Company's statement of financial position reported in accordance with Generally Accepted Accounting Principles in the Kingdom of Saudi Arabia ("SOCPA GAAP") to its statement of financial position under IFRS at December 31, 2016:

	Note	SOCPA GAAP as at December 31, 2016	Re-classifications	Re-measurements	IFRS as at December 31, 2016
ASSETS					
Non-current assets					
Property, plant and equipment	A	5,485,870	74,714	(118,649)	5,441,935
Intangible assets		10,909	23,782		34,691
Investment in an associate	B	666,360	-	(33,355)	633,005
Available for sale investments		512,867	-	-	512,867
Other non-current assets		138,733	26,027	228	164,988
		6,814,739	**124,523**	**(151,776)**	**6,787,486**
Current assets					
Inventories	C	505,306	(74,714)	(13,085)	417,507
Accounts receivables	D	448,235	-	48,652	496,887
Prepayments and other current assets	E	288,747	(49,810)	1,658	240,595
Cash and cash equivalents	F	316,755	(31,583)	-	285,172
		1,559,043	**(156,107)**	**37,225**	**1,440,161**
TOTAL ASSETS		**8,373,782**	**(31,584)**	**(114,551)**	**8,227,647**
Share capital		4,166,667	-	-	4,166,667
Statutory reserve		1,985,276	-	-	1,985,276
General reserve		45,105	-	-	45,105
Retained earnings		365,717	-	(313,676)	52,041
Unrealized gain from available for sale investments		417,962	-	-	417,962
Total Equity		**6,980,727**	**-**	**(313,676)**	**6,667,051**
Liabilities					
Non-current liabilities					
Obligations under finance lease	G	-	-	11,045	11,045
Employee benefits obligations	H	546,171	(31,584)	156,904	671,491
Total non-current liabilities		**546,171**	**(31,584)**	**167,949**	**682,536**

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

	Note	SOCPA GAAP as at December 31, 2016	Re-classifications	Re-measurements	IFRS as at December 31, 2016
Current liabilities					
Obligations under finance lease	G	-	-	358	358
Trade payables		237,281	-	-	237,281
Accrued and other current liabilities	H	389,937	-	30,818	420,755
Dividends payable		178,724	-	-	178,724
Zakat payable		40,942	-	-	40,942
		846,884	-	**31,176**	**878,060**
Total Liabilities		**1,393,055**	**(31,584)**	**199,125**	**1,560,596**
TOTAL EQUITY AND LIABILITIES		**8,373,782**	**(31,584)**	**(114,551)**	**8,227,647**

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

The following is a reconciliation of the Company's statement of financial position reported in accordance with SOCPA GAAP to its statement of financial position under IFRS at the transition date January 1, 2016:

	Note	SOCPA GAAP as at January 1, 2016	Re-classifications	Re-measurements	IFRS as at January 1, 2016
ASSETS					
Non-current assets					
Property, plant and equipment	A	5,173,218	61,513	(118,413)	5,116,318
Intangible assets		14,649	12,261	-	26,910
Investment in an associate	B	609,049	-	(29,960)	579,089
Available for sale investments		307,587	-	-	307,587
Other non-current assets		92,519	27,065	-	119,584
		6,197,022	**100,839**	**(148,373)**	**6,149,488**
Current assets					
Inventories	C	434,634	(61,513)	(10,406)	362,715
Accounts receivables	D	637,609	-	44,347	681,956
Prepayments and other current assets	E	283,025	(39,316)	1,050	244,759
Cash and cash equivalents	F	1,460,039	(30,867)	-	1,429,172
		2,815,307	**(131,696)**	**34,991**	**2,718,602**
TOTAL ASSETS		**9,012,329**	**(30,857)**	**(113,382)**	**8,868,090**
Share capital		4,166,667	-	-	4,166,667
Statutory reserve		1,879,710	-	-	1,879,710
General reserve		45,105	-	-	45,105
Retained earnings		1,292,021	-	(349,089)	942,932
Unrealized gain from available for sale investments		212,682	-	-	212,682
Total Equity		**7,596,185**	-	**(349,089)**	**7,247,096**
Liabilities					
Non-current liabilities					
Obligations under finance lease	G	-	-	2,215	2,215
Employee benefits	H	595,956	(30,857)	193,411	758,510
Total non-current liabilities		**595,956**	**(30,857)**	**195,626**	**760,725**

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

	Note	SOCPA as at January 1, 2016	Re-classifications	Re-measurements	IFRS as at January 1, 2016
Current liabilities					
Obligations under finance lease	G	-	-	272	272
Trade payables		167,938	-	120	168,058
Accrued and other current liabilities	H	396,073	-	39,689	435,762
Dividends payable		185,537	-	-	185,537
Zakat and income tax payable		70,640	-	-	70,640
		820,188		40,081	860,269
Total Liabilities		**1,416,144**	**(30,857)**	**235,707**	**1,620,994**
TOTAL EQUITY AND LIABILITIES		**9,012,329**	**(30,857)**	**(113,382)**	**8,868,090**

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

Company reconciliation of total interim condensed statement of income for the period ended March 31, 2016:

	Note	SOCPA GAAP for the three month period ended March 31, 2016	Re-measurements/ Re-classification	IFRS for the three month period ended March 31, 2016
Sales		691,230	-	691,230
Cost of sales	I	(419,972)	82,865	(337,107)
Gross profit		271,258	82,865	354,123
Selling and distribution expenses	I	-	(28,855)	(28,855)
General and administrative expenses	I	(15,210)	(51,871)	(67,081)
Operating profit		256,048	2,139	258,187
Share in profit in an associate		31,094	(1,796)	29,298
Other income		7,723	19	7,742
Finance charges	J	-	(7,217)	(7,217)
Income before zakat		294,865	**(6,855)**	**288,010**
Zakat		(9,000)	-	(9,000)
Net income for the period		285,865	**(6,855)**	**279,010**
Other comprehensive income				
Other comprehensive income to be reclassified to income in subsequent periods:				
Net gain on available-for-sale (AFS) investments		-	62,448	62,448
Other comprehensive income not to be reclassified to income in subsequent periods:				
Remeasurement losses on defined benefit plans		-	(22,732)	(22,732)
Other comprehensive income for the period		-	**39,716**	**39,716**
Total comprehensive income for the period		**285,865**	**32,861**	**318,726**

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

Company reconciliation of total interim condensed statement of income for the year ended December 31, 2016:

	Note	SOCPA GAAP for the year ended December 31, 2016	Re-measurements/ Reclassification	IFRS for the year ended December 31, 2016
Sales		2,855,924	-	2,855,924
Cost of sales	I	(1,806,246)	296,850	(1,509,396)
Gross profit		1,049,678	296,850	1,346,528
Selling and distribution expenses	I	-	(109,918)	(109,918)
General and administrative expenses	I	(69,407)	(179,115)	(248,522)
Operating profit		980,271	7,817	988,088
Share in profit in an associate		57,311	(466)	56,845
Other income		40,580	1,705	42,285
Finance charges	J	-	(30,299)	(30,299)
Income before zakat		1,078,162	(21,243)	1,056,919
Zakat		(22,500)	-	(22,500)
Net income for the year		1,055,662	(21,243)	1,034,419
Other comprehensive income				
Other comprehensive income to be reclassified to income in subsequent periods:				
Net gain on available-for-sale (AFS) investments		-	205,280	205,280
Other comprehensive income not to be reclassified to income in subsequent periods:				
Remeasurement gains on defined benefit plans		-	56,656	56,656
Other comprehensive income for the year		-	**261,936**	**261,936**
Total comprehensive income for the year		1,055,662	**240,693**	**1,296,355**

6 First-time adoption of IFRS (continued)

6A Property, Plant and equipment

i) Under SOCPA, the Company capitalized the cost of some capital spare parts under inventory, which used to serve for more than one accounting year. However, under IFRS, such cost is capitalized under property, plant and equipment, and therefore the depreciation has been estimated for such cost with retrospective effect and recognized through the retained earnings.

ii) Under IFRS, any revenue generated from the sale of any quantities produced during the start-up phase of a plant during testing activities should be deducted from the costs capitalized and should not be shown as separate revenue. On the transition date, this change has resulted in a decrease in retained earnings and a decrease in property, plant and equipment and intangible assets depending on the nature of the cost recognized in prior years under Saudi GAAP.

iii) Under IFRS, an arrangement that comprises a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments qualifies for recognition as a finance lease. Certain lease arrangements entered into by the Company qualify for recognition as finance leases under IFRS. This resulted in an increase in finance lease obligations, an increase in related property, plant and equipment and a decrease in retained earnings.

iv) Under IFRS, the property, plant and equipment should be componentized and their useful lives identified separately. The componentization concept was not a followed practice in Saudi Arabia. It was not practically possible for the Company to clearly distinguish adjustments related to the change in useful lives from those relating to applying the componentization. As part of the transition to IFRS, the Company has applied the concept of assets components and accounted for its impact on the useful lives, which resulted in a decrease in property, plant and equipment and retained earnings on the IFRS transition date amounting to SAR 93.01 million. The net impact has been booked as part of the transition adjustments.

6B Investment in an associate

Adjustments resulted from transition of the accounting records of the associate from SOCPA to IFRS.

6C Inventory

Refer to 6A (i) for adjustments impacting inventory.

6D Accounts receivables

Adjustments related to employees costs recharged to an associate arising from using actuarial assumptions as required by IFRS.

6E Prepayments and other assets

Current portion of furniture allowance which is amortized over five years has been separated from non-current assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

6 First-time adoption of IFRS (continued)

6F Cash and cash equivalents

Adjustment relates to savings (thrift) plan for which contributions have been recorded as an employee contribution payable. The cash contributed in respect of this liability is held in separate bank account not used in Company's operations.

6G Obligations under finance lease

Refer to 6A for adjustments impacting property, plant and equipment.

6H Employee benefits and accrued and other liabilities

(i) Under IFRS, end of service benefits ("EOSB") and post-employment medical benefits are required to be calculated using actuarial assumptions. Historically, the Company has calculated these obligations based on the current provision. This change resulted in an increase in the EOSB and post-employment medical benefits liability balances on the transition date and as at the current period and a decrease in retained earnings and current period income.

(ii) Under IFRS, accumulating paid absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. The obligation arising in respect of these accumulating absences is required to be recognized under IFRS irrespective of whether the absences are vesting or non-vesting. This change has resulted in an increase in accrual for vacation pay and a decrease in retained earnings and current period income.

Since there were no Fundamental changes on the actuarial assumptions during the three months period ended 31 March 2017, no remeasurement gain or loss has been recognized during that period.

6I Cost of sales, selling and distribution and general and administration expenses

Adjustments relating to reclassification among cost of sales, selling and distribution expenses and general and administration expenses in the statement of income and other comprehensive income for the year ended 31 December 2016 and three-month period ended 31 March 2016.

6J Finance charges

Refer to 6H for adjustments impacting finance charges.

7. Share capital

The share capital amounting to SR 4,166,667,000 is divided into 416,666,667 shares of SR 10 each as of 31 December 2016 and 2015.

8 Employees' benefits

	Note	March 31,2017	December31,2016	January 1, 2016
Defined benefits obligations	8.1	647,533	645,430	728,898
Employees' saving plan		25,227	26,061	29,612
		672,760	**671,491**	**758,510**

8 Employees' benefits (continued)

8.1 Defined benefits obligation

The following table represents the movement of the defined benefits obligations as at March 31, 2017:

	March 31, 2017	December 31, 2016	January 1, 2016
Defined benefit obligation at beginning of the period	645,430	728,898	497,768
Current service cost	10,256	50,896	283,653
Interest cost	5,811	28,675	-
Actuarial (gains)/losses on the obligation	-	(56,657)	-
Payments during the period	(13,964)	(108,650)	(39,014)
Adjustments during the period	-	2,268	(13,509)
Defined benefit obligation at end of the period	**647,533**	**645,430**	**728,898**

9 Zakat

The zakat is based on the condensed financial statements of the Company.

The movement in Company's zakat provision is as follows:

	March 31, 2017	December31, 2016	January 1, 2016
At beginning of the period	40,942	70,640	87,654
Provided during the period	6,750	22,500	66,000
Paid during the period	(8,068)	(52,198)	(83,014)
At end of the period	**39,624**	**40,942**	**70,640**

The Company has filed its zakat returns with GAZT, received the zakat certificates, settled the zakat dues and cleared its zakat assessments with GAZT up to the year ended 31 December 2013. The returns for the years 2014 and 2015 are still under GAZT review.

10 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	March 31, 2017	March 31, 2016
Net income attributable to Equity holders of the Company (SR '000)	423,361	279,010
Weighted average number of ordinary shares ('000)	416,667	416,667
Earnings Per Share (Saudi Riyals)	1.02	0.67

11 Fair value measurement

The Company measures financial instruments such as available for sale investments at fair value at each balance sheet date. Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed in this note.

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 or
- 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 from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is 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.

(All amounts in Saudi Riyals '000 unless otherwise stated)

11 Fair value measurement (continued)

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	31 March, 2017 carrying amount	Fair value	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Assets measured at fair value					
Available for sales investments	543,236	543,236	543,236		
Total	**543,236**	**543,236**	543,236		

	December 31, 2016 carrying amount	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value					
Available for sales investments	512,867	512,867	512,867	-	-
Total	**512,867**	**512,867**	**512,867**	-	-

	January 1, 2016 carrying amount	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value					
Available for sales investments	307,587	307,587	307,587	-	-
Total	**307,587**	**307,587**	**307,587**	-	-

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

12 Related party transactions and balances

The following table provides the total amount of transactions that have been entered into with related parties during the three months period ended 31 March 2017 and 2016:

	Sales to related parties	Purchases from related parties	Advance payment	Payment of insurance	Technology and innovation	Shared services charged	Management and services charges to an associate	Services	Amounts owed by related parties	Amounts owed to related parties
March 31, 2017										
SABIC	841,706	173,366	151,767	3,266	12,626	24,112	-	192,768	591,228	75,039
Ibn Al Baytar	4,060	19,932	-	-	-	-	19,132	122,924	17,477	4,036
SABIC affiliates	879	19,249	-	-	-	-	-	20,924	1,264,136	222
March 31, 2016										
SABIC	687,863	270,060	97,638	3,727	10,318	24,211	-	344,529	569,609	49,895
Ibn Al Baytar	2,950	10,525	-	-	-	-	21,629	20,577	16,951	1,659
SABIC affiliates	417	18,591	-	-	-	-	-	18,989	692	283

13.1 The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
13.2 The Company's annual contribution to SABIC for technology and innovation is 1.5 % of total sales which is charged currently to the statement of income.
13.3 Substantially, all of the Company's sales are made to SABIC under marketing and off take agreements.
13.4 The management and operational activities of SAFCO and Ibn Al Baytar were consolidated in 1994 and this has no impact on the legal structure of either Companies. All of the employees and their related balances were transferred to SAFCO.
Prices and terms of payments for the above transactions are approved by the management.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period ended March 31, 2017 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. 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

13 Segment Information

All of the Company's operations are related to one operating segment which is fertilizers and sell its products to one customer, the majority shareholder. Accordingly, segmental analysis by operating and geographic segment has not been presented.

14 Commitments and contingencies

Capital commitments

The Board of Directors approved in their meeting held on 17 Jumada II 1436H (corresponding to 6 April 2015) a capital project to supply and build up the new electricity station for SAFCO II and SAFCO III at the Company's complex in Jubail Industrial City at an estimated cost of SR 276 million. Total expenditures incurred up till 31 March 2017 amounted to SR 216.79 million (2016: SR 71.5 million) in relation to this project. The project is expected to commence commercial operation in 2018.

The Board of Directors approved in their meeting held on 18 Ramadan 1436H (corresponding to 5 July 2015) a reliability project for SAFCO IV at the Company's complex in Jubail Industrial City with an estimated procurement and construction cost of SR 747 million. Total expenditures incurred up till 31 March 2017 amounted to SR 421.61 million (2016: SR 204.8 million) in relation to this project. The project is expected to commence commercial operation in 2017.

The Board of Directors approved in their meeting held on 6 Rabi Alawwal 1438H (corresponding to 5 December 2016) a reliability project for SAFCO III at the Company's complex in Jubail Industrial City with an estimated procurement and construction cost of SR 461 million. The project is expected to commence commercial operation in 2018.

Moreover, the Board of Directors approved future capital expenditure in relation to other projects with amount of SR 577.69 million (2016: SR 626 Million).

15. Appropriation of net income and dividends distributions

On 17 Jumada II 1438H (corresponding to 14 February 2017), the Board of Directors proposed to distribute cash dividends amounting SR 1 per share (SR 416.67 million in total) for the second half of 2016. This has been approved by the General Assembly in their extraordinary meeting held on 1 Rajab 1438H (corresponding to 29 March 2017) and were paid on12 April 2017. In the same meeting, the General assembly approved to modify the Company's by-laws to comply with the new companies' regulations and to transfer an amount of SR 735.28 million representing excess statutory reserve over 30% of capital to retained earnings and to transfer an amount of SR 45.11 million from general reserve to retained earnings. The legal formalities to modify the Company's by-laws are in progress and expected to be finalized in the second quarter.

On 11 Ramadan 1437H (corresponding to 16 June 2016), the Board of Directors approved to distribute interim cash dividends amounting SR 1.5 per share (SR 625 million in total) for the first half of 2016. The dividends were paid during July 2016.

15. Appropriation of net income and dividends distributions (continued)

On 24 Safar 1437H (corresponding to 6 December 2015), the Board of Directors proposed to distribute cash dividends amounting SR 3 per share (SR 1,250 million in total) for the second half of 2015. This has been approved by the General Assembly in their meeting held on 21 Jumada' II 1437H (corresponding to 30 March 2016) and were paid on10 April 2016.

On 18 Ramadan 1436H (corresponding to 5 July 2015), the Board of Directors approved to distribute interim cash dividends amounting SR 3 per share (SR 1,250 million in total) for the first half of 2015. The dividends were paid during 2015.

16. Subsequent events

In the opinion of management, there have been no significant subsequent events since the period ended March 31, 2017 that would have a material impact on the financial position of the Company as reflected in these condensed financial statements.