SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sahara Petrochemicals Company – Joint Stock Company
Al-Jubail - Kingdom of Saudi Arabia

Report on the Audit of Consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sahara Petrochemicals Company (a Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are as follows:

First time adoption of International Financial Reporting Standards (IFRS)	
Refer to note 2 for the first-time adoption of IFRS and note 8 for the related disclosures.	
Key audit matter	**How the matter was addressed in our audit**
For all periods up to and including the year ended December 31, 2016, the Company prepared and published its consolidated financial statements in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia (KSA) issued by SOCPA. With effect from January 01, 2017, the Company is required to prepare and present its consolidated financial statements in accordance with IFRS as endorsed by SOCPA and other pronouncements and standards issued by SOCPA (IFRS as endorsed in KSA). Accordingly, the Company has prepared its consolidated financial statements for the year ended December 31, 2017 under IFRS as endorsed in KSA. As part of this transition to IFRS as endorsed in KSA, the management, with the assistance of external Consultants, performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in KSA, determined the transition adjustments in the light of said gap analysis and relevant requirements of *IFRS 1 – First time adoption* and assessed the additional disclosures required in the consolidated financial statements. We considered it as a key audit matter as the basis of accounting is fundamental to the presentation and preparation of the financial statements.	Our audit procedures included the following: - considering the process to identify all necessary adjustments as of transition date i.e. January 1, 2016 and on subsequent periods especially where the adjustments required management to exercise judgment. - evaluating the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in KSA and our understanding of the Company's operations and business. - assessing the appropriateness of accounting policies adopted and testing samples of adjustments made to respective balances and transactions to bring these in line with the requirement of IFRS as endorsed in KSA; - evaluating the disclosures made in the consolidated financial statements and ensuring that these are appropriate, accurate and in line with the requirements of IFRS as endorsed in KSA.

<table>
<tr><td colspan="2">Equity accounted investments</td></tr>
<tr><td colspan="2">Refer to note 7(d) for the accounting policy relating to equity accounted investee and note 11 for the related disclosures.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As of December 31, 2017, investments in joint ventures and associates amounted to SR 3.68 billion (82% of total assets). The Group is exposed to risk of classification and impairment on its equity accounted associates and joint ventures.

The Group’s management conducts its impairment test to assess the recoverability of the equity accounted associates and joint ventures and considers whether there are indicators of impairment with respect to these investments. Impairment assessments of these investments require significant judgment and there is the risk that valuation of these investments and any potential impairment charge may be incorrect. Furthermore, there is a risk that associates and joint ventures are not accounted for and disclosed properly.

As such, we have identified the classification, impairment assessment, equity accounting and disclosure for the investments in joint ventures and associates as key audit matters due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment associated in conducting the impairment assessment.</td><td>Our audit procedures included the following:
- Reviewing the related agreements and other supporting documentation and ensuring that they are properly accounted for in accordance with the requirements of IFRS;

- Ensuring that proper equity accounting was carried out during the year by looking at the post-acquisition change in the Group’s share of net assets of the associates and joint ventures. In particular, we have:

a. tested movement of investments during the year; and
b. checked the accuracy for computation of share of dividend, income and profit or loss and other comprehensive income of the associates and joint ventures.

- Assessing the adequacy of the disclosures presented within the consolidated financial statements to ensure they are in accordance with IFRS 12;

- Evaluating the reasonableness of management’s assumptions and estimates used in determining the recoverable values of material investments. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry; and

- Testing management’s sensitivity analysis and stress test scenarios around key drivers of the cash flow forecasts and impairment test models.</td></tr>
</table>

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of management and Those Charged with Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and pronouncements endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BDO Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion these consolidated financial statements, taken as a whole, comply with the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

Other matter

The consolidated financial statements for the year ended December 31, 2016 were audited by another auditor whose report dated Jumada 'II, 17, 1438 H (corresponding to March 17, 2017) contained an unqualified opinion thereon.

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
شركة مهنية رقم ٣٢٣/١١/٦٦
س.ت ٢٠٥٠١٠٥٨٢٢
Dammam
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Jumada 'II' 13, 1439 (H)
March 1, 2018 (G)

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
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SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	**December 31, 2017**	December 31, 2016 **(Note 8)**	January 1, 2016 **(Note 8)**
ASSETS				
Non-Current Assets				
Property and equipment	9	**126,567**	487,412	308,964
Intangible assets	10	**20,528**	22,537	24,656
Investments in joint ventures and associates	11	**3,707,790**	3,688,487	3,804,771
Long-term investments	12	**242,384**	283,882	314,987
Other non-current assets	13	**417,874**	16,237	17,716
Total Non-Current Assets		**4,515,143**	4,498,555	4,471,094
Current Assets				
Short-term investments		**-**	-	100,000
Prepayments and other current assets	14	**59,314**	44,074	62,788
Murabaha deposits	15	**775,000**	300,000	245,000
Cash and cash equivalents	16	**513,913**	1,077,674	562,512
Total Current Assets		**1,348,227**	1,421,748	970,300
Total Assets		**5,863,370**	5,920,303	5,441,394
EQUITY AND LIABILITIES				
Equity				
Share capital	17	**4,387,950**	4,387,950	4,387,950
Statutory reserve		**285,158**	240,705	202,169
Other components of equity	18	**(7,341)**	1,669	(496)
Retained earnings		**692,998**	622,021	448,563
Total Equity		**5,358,765**	5,252,345	5,038,186
Non-Current Liabilities				
Long-term borrowings	19	**291,667**	425,000	233,844
Employees' end of service benefits	20	**99,757**	85,567	71,918
Derivative financial instruments	21	**2,853**	1,637	-
Total Non-Current Liabilities		**394,277**	512,204	305,762
Current Liabilities				
Current portion of long-term borrowings	19	**38,889**	50,000	-
Trade payables		**3,400**	4,264	6,395
Accrued expenses and other current liabilities	22	**34,422**	65,990	61,647
Provision for zakat	23	**33,617**	35,500	29,404
Total Current Liabilities		**110,328**	155,754	97,446
Total Liabilities		**504,605**	667,958	403,208
Total Equity and Liabilities		**5,863,370**	5,920,303	5,441,394

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	December 31, 2017	December 31, 2016 (Note 8)
Share of profit from joint ventures and associates	11	**490,117**	454,866
Financial income	24	**29,642**	44,195
General and administrative expenses, net	25	**(36,297)**	(29,260)
Others		**(181)**	77
Operating profit before interest and Zakat		**483,281**	469,878
Finance cost		**(4,402)**	(3,115)
Profit before Zakat		**478,879**	466,763
Zakat charge	23	**(34,353)**	(35,371)
Net profit for the year		**444,526**	431,392
Other Comprehensive income			
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available for sale Investments	18.1	**(5,922)**	9,038
Change in fair value of derivative financial instruments designated as hedge	18.2	**(1,216)**	(1,637)
Share of other comprehensive loss of joint ventures and associates	18.2	**(1,077)**	-
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:			
Re-measurment loss on the employees' end of services benefits	18.3	**(292)**	-
Share of other comprehensive loss of joint ventures and associates	18.2, 18.3	**(503)**	(5,236)
Total Other comprehensive (loss) / income for the year		**(9,010)**	2,165
Total comprehensive income for the year		**435,516**	433,557
Earnings per share:			
Basic and diluted (Saudi Arabian Riyal)		**1.01**	0.98

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Share capital	Statutory reserve	Cash flow hedge reserve	Available for sale investment reserve	Acturial gain or loss reserve	Retained earnings	Total
Balance as at January 1, 2016	4,387,950	202,169	-	(496)	-	448,563	5,038,186
Profit for the period	-	-	-	-	-	431,392	431,392
Other comprehensive loss for the year	-	-	(6,873)	9,038	-	-	2,165
Total comprehensive income for the year	-	-	(6,873)	9,038	-	431,392	433,557
Transfer to statutory reserve	-	38,536	-	-	-	(38,536)	-
Dividend	-	-	-	-	-	(219,398)	(219,398)
Balance as at December 31, 2016	**4,387,950**	**240,705**	**(6,873)**	**8,542**	**-**	**622,021**	**5,252,345**
Profit for the year	-	-	-	-	-	444,526	444,526
Other comprehensive loss for the year	-	-	(6,367)	(5,922)	3,279	-	(9,010)
Total comprehensive income for the year	-	-	(6,367)	(5,922)	3,279	444,526	435,516
Transfer to statutory reserve	-	44,453	-	-	-	(44,453)	-
Dividend	-	-	-	-	-	(329,096)	(329,096)
Balance as at December 31, 2017	**4,387,950**	**285,158**	**(13,240)**	**2,620**	**3,279**	**692,998**	**5,358,765**

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	December 31, 2017	December 31, 2016
Cash flows from operating activities			
Cash generated from operations	27	**2,058**	72,907
Zakat paid	23	**(36,236)**	(29,275)
Finance cost paid		**(2,566)**	(2,880)
Employees' end of service benefits-paid	20	**(1,131)**	(13,112)
Net cash (used in) / generated from operating activities		**(37,875)**	27,640
Cash flows from investing activities			
Murabaha deposits		**(475,000)**	(55,000)
Long term investments		**35,576**	40,143
Dividends received from joint ventures and associates	11	**490,144**	567,173
Additions to property and equipment	9	**(88,698)**	(186,539)
Additions to intangible assets	10	**(10)**	(13)
Loans advanced to a joint venture		**(27,750)**	-
Deductions from employees long term advances		**14,154**	-
Additions to other non-current assets		**(762)**	-
Decrease in short-term investments		**-**	100,000
Net cash (used in) / generated from investing activities		**(52,346)**	465,764
Cash flows from financing activities			
Proceeds from long-term borrowings		**-**	266,156
Repayment of long-term borrowings		**(144,444)**	(25,000)
Dividends paid	32	**(329,096)**	(219,398)
Net cash (used in) / generated from financing activities		**(473,540)**	21,758
Net change in cash and cash equivalents		**(563,761)**	515,162
Cash and cash equivalents at the beginning of the year		**1,077,674**	562,512
Cash and cash equivalent at the end of the year		**513,913**	1,077,674

The accompanying notes 1 through 36 form an integral part of these consolidated financial statements.

Expressed in Saudi Arabian Riyals in thousands

1. CORPORATE INFORMATION

Sahara Petrochemicals Company (the "Company") is a Saudi Joint Stock Company and registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 1010199710 issued in Riyadh on Jumada'I 19, 1425 H (July 7, 2004).

The Company is principally involved in investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The registered address of the Company is P.O. Box 251, Riyadh 11411, Kingdom of Saudi Arabia.

The Company holds 100% shares of Sahara Marketing Company ("SMC") (collectively referred to as "the Group"). SMC is a limited liability company and registered in the Kingdom of Saudi Arabia, operating under CR No. 2055104498 issued in Jubail on Rabi al Awal 19, 1438-H (December 18, 2016).

The principle activities of SMC are wholesale of industrial chemicals and petrochemicals, export and commercial undertakings, and marketing on behalf of third parties. However,SMC has not started its commercial operations yet.

The Company holds equity interests in following joint ventures which are primarily involved in manufacturing of petrochemical products:

	Effective interest %
Al Waha Petrochemicals Company ("Al Waha")	**75.00**
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	**50.00**

The Company also holds equity interests in following associates which are primarily involved in manufacturing of petrochemical products:

	Effective interest %
Tasnee and Sahara Olefins Company ("TSOC")	**32.55**
Saudi Acrylic Acid Company ("SAAC")	**43.16**

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants ("SOCPA") ("IFRSs").

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by Saudi Organization of Certified Public Accountants ("SOCPA"). Refer to Note 8 for information on how the Group's financial statements are impacted by the adoption of IFRSs. Details of the Group's accounting policies are included in Note 7.

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on historical cost basis, with exception of available for sale investments and derivative financial instruments that are measured at fair value and employees' end of service benefits obligation which is measured at present value using Projected Unit Credit Method (PUCM). Significant accounting policies adopted by the Group for preparing these financial statements have been consistently applied to all the periods presented.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest thousands, unless otherwise stated.

5. EW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

- **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 contracts for goods and services and IAS 11 which covers construction contracts.

  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. January 1, 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

  Management is currently in the process of assessing the impact of this standard on the consolidated financial statements.

  Mandatory application date / Date of adoption by the Group
  Mandatory for financial years commencing on or after January 1,2018. Expected date of adoption by the Group is January 1, 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 statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise 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 leases of low-value 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.

  Management is currently in the process of assessing the impact of this standard on the consolidated financial statements.

  Mandatory application date / Date of adoption by the Group
  Mandatory for financial years commencing on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of its initial application of IFRS 16. Expected date of adoption by **the Group** is January 1, 2019.

- **IFRS 9 – 'Financial Instruments'**
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

  Management is currently in the process of assessing the impact of this standard on the consolidated financial statements.

  Mandatory application date / Date of adoption by the Group
  IFRS 9 is effective for annual period beginning on or after January 1, 2018 with early application permitted except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

6. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Useful lives of property and equipment
Management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

ii) Joint venture arrangements
The Group is party to the following joint arrangements:
- Al Waha – 75% shareholding
- SAMAPCO – 50% shareholding

The Group has joint control over these arrangements as unanimous consent is required from all parties to the agreements to direct the activities that significantly affect the returns of the arrangement, such as annual production budgets, capital expenditures, incurrence of indebtedness, election of key management team members, approval of pricing policies and admission of new parties. The classification of these joint arrangements as either a joint operation or a joint venture is driven by the rights and obligations of the parties arising from the arrangement rather than the legal form of the arrangement. Both Al Waha and SAMAPCO meet the definition of a joint venture as they are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of these companies under the arrangements. The parties are not substantially the only source of cash flows contributing to the continuity of the operations of the joint venture.

iii) Impairment of non-financial assets
Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

iv) Impairment of Investments in equity-accounted investees
An impairment loss in respect of Investments in equity-accounted investees is measured by comparing the recoverable amount of the investment with the carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

v) Impairment of available for sale investments
Management exercises judgement to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. With respect to of equity instruments any significant and

prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgement. Management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

vi) Employees' end of service benefits
The cost of employees' end of service benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the Kingdom of Saudi Arabia.

vii) Provision for zakat
The Group is subject to zakat in accordance with the General Authority of Zakat and Tax ("GAZT") regulations. Zakat computation involves relevant knowledge and judgment of the zakat rules and regulations to assess the impact of zakat liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Group retains exposure to additional zakat liability.

7. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies adopted and consistently applied to all periods presented are as follows:

a) Basis of consolidation
These consolidated financial statements comprise the financial statements of the Company and its 100% owned subsidiary SMC, for the year ended December 31, 2017.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity of the Group. All material intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between SMC and the Company are eliminated in full on consolidation.

b) Property and equipment
Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of items of property and equipment. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of that asset. Borrowing costs are capitalised as part of the cost for a qualifying asset during the construction period when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities necessary for its intended use are in progress.

The capitalisation period begins on the date of approval of the investment project and ends with the completion of the activities necessary to prepare the qualifying asset for its intended use or sale.

Depreciation is charged to profit and loss items under the consolidated statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of individual items of property and equipment. The estimated useful lives of assets for current and comparative periods are as follows:

	Years
Buildings and leasehold land improvements	33
Furniture, fixtures and office equipment	3-10
Vehicles	4

Capital work in progress is stated at cost less impairment, if any, and is not depreciated until the asset is brought into commercial operations.

Leasehold land improvements are amortized on a straight line basis over the shorter of its useful life or the term of the lease.

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to profit and loss items under the consolidated statement of profit and loss and other comprehensive income as and when incurred.

Where an item of property and equipment is comprised of major components having different useful lives, each component is recognised as a separate item of property and equipment. The carrying amount of each component accounted for as a separate asset is derecognised when replaced.

The assets' residual values and useful lives are reviewed, at the end of each reporting period. If expectation differs from previous estimate, the changes shall be accounted for prospectively.

c) <u>Intangible assets</u>

Intangible assets acquired separately are measured at cost upon initial recognition. 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 consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the aggregated CGU level.

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 profit and loss items under the consolidated statement of profit and loss and other comprehensive income when the asset is derecognized.

<u>Software costs</u>

Expenditure to acquire computer software and licenses are capitalized and amortized using the straight-line method over the useful life of five to twenty years.

d) <u>Investment in joint ventures and associates</u>

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Joint ventures are those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method.

Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group'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 Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised under profit and loss in the consolidated statement of profit and loss and other comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

e) <u>Financial assets</u>
Available for sale investments
Available for sale investments include equity and debt securities including mutual funds investments that are not: 1) held for trading purposes 2) designated at fair value through profit or loss 3) loans and receivables.

These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized directly in other comprehensive income in the consolidated statement of profit and loss and other comprehensive income and cumulative impact is considered in available for sale investmts reserves in consolidated statement of financial position except for the following which are recognised in the consolidated statement of profit or loss:

- Interest calculated using the effective interest method on debt instruments;
- Foreign exchange gains and losses on monetary financial assets are recognised in profit and loss;
- Dividends on available-for-sale equity instruments; and
- Impairment losses and reversals on a debt instrument classified as available for sale.

Any significant and prolonged decline in value of the available for sales investments, if any, is charged to profit or loss items in the consolidated statement of profit and loss and other comprehensive income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

When an available for sale financial asset is derecognised as a result of sale or is impaired, the cumulative gain or loss previously recognised in other comprehensive income is recycled and recognised in profit or loss in the consolidated statement of profit and loss and other comprehensive income at the time of disposal.

Held-to-maturity investments
The Group classifies investments as held-to-maturity if they are securities or purchased loans with fixed or determinable payments, fixed maturity and when the Group has intention and ability to hold investments to maturity other than:

- Investments that meet the definition of loans and receivables originated by the Group;
- Investments that upon initial recognition have been designated as at fair value through profit or loss; and
- Investments that are designated as available for sale.

Held-to-maturity investments are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using effective rate of interest.

f) <u>Other receivables</u>
Other receivables include supplier advances, 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. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated statement of profit or loss and other comprehensive income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for

doubtful debts. Any subsequent recovery of receivable amounts previously written off is credited to the consolidated statement of profit or loss and other comprehensive income.

g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

h) Statutory reservse

In accordance with the Company's Articles of Association, the Group has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals 50% of the share capital. However,the shareholders of the Group, in its annual general assembly held in April 2017, approved the change of percentage of statutory resereve from 50% to 30% to align with the requirements of the regulations of companies and the Group has already made amendments to the Articles of Association. This reserve is not available for dividend distribution.

i) Borrowings

Loans are recognized initially at the proceeds received (being the fair value) net of transaction costs incurred. Loans are subsequently carried at amortised cost. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised under profit and loss items in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised 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.

j) Employees end of service benefits and post-employment benefits

i) Short-term obligations

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

ii) Employees' end of service benefits

The Group provides its employees with end of service benefit scheme calculated in accordance with Saudi Arabian labour regulations. Defined benefit liability with respect to employees' end of service benefits is determined based on actuarial assumptions as the present value of the defined benefit obligation using the projected unit credit method (PUCM). Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Saudi Arabia.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

iii) Employees' home ownership program

The Group has an employee's home ownership program called Sahara home ownership program (SHOP) under which eligible Saudi employees have the opportunity to buy residential units constructed by the Group through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Costs relating to SHOP are recognized as a non-current prepaid employee benefit expense at time the residential units are allocated to the employees and are amortized over the period during which employees repay such residential unit costs.

iv) Vehicles to executive employees
The Group grants eligible employees a Group owned vehicle up to a specific value. The benefit is provided to employees against their services for a fixed number 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 Group for four years after which it will be transferred to the employee. The Group's Human Resource policy governs the arrangement with the employee and may define conditions under which such vehicle can be transferred to employee.

k) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

l) Provisions
A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on assets associated with that contract.

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

n) Zakat
The Group is subject to zakat in accordance with the GAZT regulations. Provision for zakat for the Group is charged to profit and loss items under the consolidated statement of profit and loss and other comprehensive income.
Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the GAZT regulations.

o) Other income
Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account (acting as a principal). Furthermore, interest, and dividends are recognised on the following basis:

- Interest is recognised using effective interest method; and
- Dividends are recognised when the right to receive payment is established.

p) Expenses
All expenses, excluding financial charges, are classified as general and administrative expenses.

q) Dividends
Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends approved by the shareholders of the Group are recorded in the consolidated financial statements in the period in which are approved.

r) Leases
i) Finance leases
Leases of property and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

ii) Operating leases
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

s) Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised as a profit or loss item in the consolidated statement of profit and loss and other comprehensive income. Foreign exchange gains and losses that relate to borrowings (if any) are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the conolidated statement of profit or loss and other comprehensive income on a net basis within other income or other expenses. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

t) Segment reporting
The Group has investment in various companies which are involved in the manufacturing of petrochemical products. The chief operating decision maker (CODM) periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes.

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

v) Fair value measurement
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 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 utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group 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.

8. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in Kingdom of Saudi Arabia ("KSA") ("SOCPA GAAP"). As noted in note 2, these consolidated financial statements are the Group's first such financial statements in accordance with the IFRS as endorsed in KSA.

Accordingly, the Group has applied the IFRS as endorsed in KSA for preparation of its consolidated financial statements for the year beginning January 1, 2017, as well as for presenting the relevant comparative year data. In compliance with requirements of IFRS 1 "First time adoption of IFRS", the Group's opening statement of financial position was prepared as at January 1, 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has analyzed the impact on the statement of financial positions as at January 1, 2016, December 31, 2016 and following are the significant adjustments in transitioning from SOCPA GAAP to IFRS as endorsed in KSA.

An explanation of how the transition from SOCPA to IFRS has affected the Group's financial position and its profit or loss and other comprehensive income is set out in the tables 8.2 to 8.4 and the notes that accompany the tables.

8.1 Exemptions applied

The Group has elected not to apply any exemptions allowable under IFRS 1 with respect to first time adoption of IFRS. These unused exemptions are mainly relating to certain exemptions from the retrospective application of certain requirements under IFRS.

Expressed in Saudi Arabian Riyals in thousands

8.2 Equity reconciliation of SOCPA to IFRS as at January 1, 2016 (date of transition to IFRS)

	Note	Under SOCPA as at January 1, 2016	Deconsolidation of a subsidiary (Note A)	Reclassi-fications	Remeasure-ments due to conversion	Under IFRS as at January 1, 2016
Non Current Assets						
Property and equipment	G,H	3,612,563	(3,316,161)	1,575	10,987	**308,964**
Intangible assets		29,810	(5,154)	-	-	**24,656**
Project development costs	G	1,575	-	(1,575)	-	**-**
Investments in joint ventures and associates	B,C	2,593,951	1,680,541	-	(469,721)	**3,804,771**
Long-term investments	F	315,483	-	-	(496)	**314,987**
Other non-current assets	J	-	-	-	17,716	**17,716**
Total Non Current Assets		6,553,382	(1,640,774)	-	(441,514)	**4,471,094**
Current Assets						
Inventories		282,283	(282,283)	-	-	**-**
Short-term investments	E	-	-	100,000	-	**100,000**
Prepayments and other current assets	I	90,213	(36,457)	4,450	4,582	**62,788**
Trade receivables		278,160	(278,160)	-	-	**-**
Murabaha deposits		245,000	-	-	-	**245,000**
Cash and cash equivalents	E	1,042,011	(379,499)	(100,000)	-	**562,512**
Total Current Assets		1,937,667	(976,399)	4,450	4,582	**970,300**
Total Assets		8,491,049	(2,617,173)	4,450	(436,932)	**5,441,394**
EQUITY AND LIABILITIES						
Shareholders' equity						
Share capital		4,387,950	-	-	-	**4,387,950**
Statutory reserve		202,169	-	-	-	**202,169**
Available for sale investment reserve	F	-	-	-	(496)	**(496)**
Retained earnings	B,C,D, H,I,J	909,047	-	-	(460,484)	**448,563**
Total shareholders' equity		5,499,166	-	-	(460,980)	**5,038,186**
Non-controlling interest		574,802	(574,802)	-	-	**-**
Total equity		6,073,968	(574,802)	-	(460,980)	**5,038,186**
Non Current Liabilities						
Long-term borrowings		1,921,587	(1,687,743)	-	-	**233,844**
Employees' end of service benefits	D	65,644	(17,774)	-	24,048	**71,918**
Deferred revenue		59,771	(59,771)	-	-	**-**
Total Non Current Liabilities		2,047,002	(1,765,288)	-	24,048	**305,762**
Current Liabilities:						
Current portion of long term borrowings		112,345	(112,345)	-	-	**-**
Trade payables		33,696	(27,301)	-	-	**6,395**
Accrued expenses and other current liabilities		186,484	(129,287)	4,450	-	**61,647**
Provision for Zakat and income tax		37,554	(8,150)	-	-	**29,404**
Total Current Liabilities		370,079	(277,083)	4,450	-	**97,446**
Total Liabilities		2,417,081	(2,042,371)	4,450	24,048	**403,208**
Total equity and liabilities		8,491,049	(2,617,173)	4,450	(436,932)	**5,441,394**

Expressed in Saudi Arabian Riyals in thousands

8.3 Equity reconciliation of SOCPA to IFRS as at December 31, 2016

	Note	Under SOCPA as at December 31, 2016	Deconsolidation of a subsidiary (Note A)	Reclassi-Fications	Remeasure-ments due to conversion	Under IFRS as at December 31, 2016
Non current assets:						
Property, plant and equipment	G,H	3,686,257	(3,213,565)	3,733	10,987	**487,412**
Intangible assets		26,605	(4,068)	-	-	**22,537**
Project development costs	G	3,733	-	(3,733)	-	**-**
Investments in joint ventures and associates	B,C	2,403,047	1,729,430	-	(443,990)	**3,688,487**
Long-term investments	F	284,635	-	-	(753)	**283,882**
Other non-current assets	J	-	-	-	16,237	**16,237**
Total non current assets		6,404,277	(1,488,203)	-	(417,519)	**4,498,555**
Current assets:						
Inventories		228,107	(228,107)	-	-	**-**
Prepayments and other current assets	I	50,861	(11,369)	-	4,582	**44,074**
Trade receivables		375,534	(375,534)	-	-	**-**
Murabaha deposits		300,000	-	-	-	**300,000**
Cash and cash equivalents		1,728,145	(650,471)	-	-	**1,077,674**
Total current assets		2,682,647	(1,265,481)	-	4,582	**1,421,748**
Total Assets		9,086,924	(2,753,684)	-	(412,937)	**5,920,303**
EQUITY AND LIABILITIES						
Shareholder's equity:						
Share capital		4,387,950	-	-	-	**4,387,950**
Statutory reserve		243,109	-	(2,404)	-	**240,705**
Cash flow hedge reserve		(6,201)	-	-	(672)	**(6,873)**
Available for sale investment reserve	F	9,295	-	-	(753)	**8,542**
Retained earnings	B,C,D, H,I,J	1,055,911	-	2,404	(436,294)	**622,021**
Total shareholders' equity		5,690,064	-	-	(437,719)	**5,252,345**
Non-controlling interest		569,705	(569,705)	-	-	**-**
Total equity		6,259,769	(569,705)	-	(437,719)	**5,252,345**
Non current liabilities:						
Long-term borrowings		2,000,398	(1,575,398)	-	-	**425,000**
Employees' end of service benefits	D	77,870	(17,085)	-	24,782	**85,567**
Derivative financial instruments		8,618	(6,981)	-	-	**1,637**
Deferred revenue		56,093	(56,093)	-	-	**-**
Total non current liabilities		2,142,979	(1,655,557)	-	24,782	**512,204**
Current liabilities:						
Short term borrowings		249,969	(249,969)	-	-	**-**
Current portion of long term borrowings		162,345	(112,345)	-	-	**50,000**
Trade payables		13,464	(9,200)	-	-	**4,264**
Accrued expenses and other current liabilities		204,140	(138,150)	-	-	**65,990**
Provision for Zakat and income tax		54,258	(18,758)	-	-	**35,500**
Total current liabilities		684,176	(528,422)	-	-	**155,754**
Total liabilities		2,827,155	(2,183,979)	-	24,782	**667,958**
Total equity and liabilities		9,086,924	(2,753,684)	-	(412,937)	**5,920,303**

Expressed in Saudi Arabian Riyals in thousands

8. FIRST TIME ADOPTION OF IFRS (continued)

8.4 Profit or loss and other comprehensive income reconciliation of SOCPA to IFRS for the year ended December 31, 2016

	Note	Under SOCPA for the year ended December 31, 2016	Deconsolidation of a subsidiary (Note A)	Remeasure-ments due to conversion	Under IFRS for the year ended December 31, 2016
Sales		1,820,214	(1,820,214)	-	-
Cost of sales		(1,273,110)	1,273,110	-	-
Gross Profit		547,104	(547,104)	-	-
Operating expenses:					
Selling and distribution costs		(99,697)	99,697	-	-
General and administrative	D	(89,688)	63,218	(2,790)	**(29,260)**
		(189,385)	162,915	(2,790)	**(29,260)**
Operating income		357,719	(384,189)	(2,790)	**(29,260)**
Other income/(expenses)					
Share of profit from joint ventures and associates	B	199,024	230,698	25,144	**454,866**
Financial charges	D,J	(85,213)	83,721	(1,623)	**(3,115)**
Financial income	K	53,103	(10,167)	1,259	**44,195**
Others-net		10,392	(10,315)	-	**77**
Income / (loss) before Zakat and tax and non-controlling interest		535,025	(90,252)	21,990	**466,763**
Zakat and tax charge		(45,386)	10,015	-	**(35,371)**
Net income / (loss) before non-controlling interest		489,639	(80,237)	21,990	**431,392**
Non-controlling interest		(80,237)	80,237	-	-
Net income for the year		409,402	-	21,990	**431,392**
Other Comprehensive income to be re-calassified to profit or loss in subsequent periods:					
Changes in the fair value of available for sale	F	-	-	9,038	**9,038**
Derivative financial instruments designated as hedge		-	-	(1,637)	**(1,637)**
Share of other comprehensive income of joint ventures and associates		-	-	(5,236)	**(5,236)**
		-	-	2,165	**2,165**
Other Comprehensive income not to be recalassified to profit or loss in subsequent periods:		-	-	-	-
Other comprehensive income for the year		-	-	2,165	**2,165**
Total comprehensive income for the year		409,402	-	24,155	**433,557**

Expressed in Saudi Arabian Riyals in thousands

8. FIRST TIME ADOPTION OF IFRS (continued)

8.5 Summary of IFRS first time adoption adjustments

Notes to the reconciliation of statement of financial position as at January 1, 2016 and December 31, 2016, and statement of profit or loss and other comprehensive income for the year ended December 31, 2016 are as follows:

A. Deconsolidation of Al Waha

The Group owns 75% shareholding in Al Waha. This was treated as a subsidiary under SOCPA, given majority of the voting rights, and hence control as defined in SOCPA standards, rested with Sahara. However, assessment under IFRSs shows that consent is required from at least one representative of the other party to the agreement to direct the activities that significantly affect the returns of the arrangement, such as annual production budgets, capital expenditures, incurrence of indebtedness, election of key management team members, approval of pricing policies and admission of new parties. As per guidance of IFRS 10, this amounts to Sahara having joint control with the other party to the arrangement. Al Waha meets the definition of a joint venture as it is structured as a Limited Liability Company and provides the Group and the other party to the agreement with rights to the net assets of Al Waha under the arrangement. The parties are not substantially the only source of cash flows contributing to the continuity of the operations of the joint venture.

As such, Al Waha has been equity accounted given it is a joint venture, whereas, previously it was treated as a subsidiary and its results were consolidated.

B. Transition adjustments in joint ventures and associates

The Group's share in the adjustments arising from the transition to IFRS of its equity accounted investees are summarized in the following table. The investment in the Group's joint venture - Sahara & Ma'aden Petrochemicals Company (SAMAPCO) was partially impaired upon transition to IFRS (refer to note C).

The details of the adjustments have been summarized below:

Statement of financial position	Note	As at December 31, 2016	As at January 1, 2016
Investment in joint ventures and associates			
Share in net IFRS adjustments of Al Waha		(111,935)	(111,311)
Share in net IFRS adjustments of TSOC		(56,371)	(45,104)
Share in net IFRS adjustments of SAAC		(11,175)	(7,680)
Share in net IFRS adjustments of SAMAPCO		19,134	(20,724)
Impairment of SAMAPCO	C	(266,215)	(266,215)
Fair value adjustment on advances to SAMAPCO		(17,428)	(18,687)
Decrease in investments		(443,990)	(469,721)
Increase in other non-current assets			
Fair value adjustment on advances to SAMAPCO		17,428	18,687
Decrease in retained earnings		(426,562)	(451,034)

Statement of profit and loss and other comprehensive income	For the year ended December 31, 2016
Share of profit/(loss) from joint ventures and associates:	
Share in net IFRS adjustments of Al Waha	(624)
Share in net IFRS adjustments of TSOC	(11,267)
Share in net IFRS adjustments of SAAC	(2,823)
Share in net IFRS adjustments of SAMAPCO	39,858
	25,144

All the adjustments related to the opening balance sheet as at January 1, 2016 have been charged to retained earnings as a part of IFRS conversion.

Expressed in Saudi Arabian Riyals in thousands

8. FIRST TIME ADOPTION OF IFRS (continued)
8.5 Summary of IFRS first time adoption adjustments (continued)

C. Impairment of investment in SAMAPCO

Triggers for impairment existed at the date of transition to IFRS in relation to Group's investment in SAMAPCO (mainly due to fall in petrochemical product prices) due to which a detailed impairment assessment was carried out. Under SOCPA, as per Group's policy, impairment was only recorded when events or changes in circumstances indicated that their carrying value may exceed the sum of the undiscounted future cash flows expected from use and eventual disposal of non-financial assets (recoverable amount). Due to a change in methodology to assess impairment under IFRS, as set out in policy 7 (d), where recoverable amount is assessed using discounted cash flows, an impairment of SAR 266.2 million was identified at the date of transition. SAMAPCO remained loss-making and there were no indications for reversal of impairment during year ended December 31, 2016.

D. Valuation of end of service benefits liability

Under SOCPA, the Group was not required to measure the defined benefit liability in accordance with the projected unit credit method. However, under IFRS, end of service benefits liability ("EOSB") is recognised on an actuarial basis. Therefore, as at the date of transition to IFRS, the Group re-measured the defined benefit liability in accordance with the projected unit credit method (as required by IAS 19) through an actuarial valuation of the EOSB.

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at January 1, 2016
Increase in employees' end of service benefits	24,782	24,048
Reduction in retained earnings	(24,782)	(24,048)

Statement of profit and loss and other comprehensive income	For the year ended December 31, 2016
Increase in EOSB expense - General and administrative expenses	590
Increase in EOSB expense - Financial charges	144
	734

E. Reclassification of cash equivalents to current financial assets

Upon transition to IFRS, a SAR 100 million reclassification of short-term Murabaha deposits from cash equivalents to current financial assets was carried out as they no longer met definition of cash equivalents.

F. Revaluation of Available for sale investments

Certain Available-for-Sale investments in unquoted funds and a Murabaha deposit with bank were measured at cost under SOCPA. Under IFRS, the Group has designated such investments as AFS financial assets. IFRS requires AFS financial assets to be measured at fair value.

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at January 1, 2016
Long-term investments		
Carrying value	233,340	295,482
Fair value	241,882	294,986
Unrealized gain/(loss) on valuation	8,542	(496)

Statement of profit and loss and other comprehensive income	For the year ended December 31, 2016
Changes in fair value of available for sale investments	9,038

Expressed in Saudi Arabian Riyals in thousands

8. FIRST TIME ADOPTION OF IFRS (continued)
8.5 Summary of IFRS first time adoption adjustments (continued)

G. Reclassification of project development costs

As at the date of transition to IFRS, an amount of SAR 1.6 million was held in project development costs. Such costs represent capital work in progress and were, therefore, re-classified from project development costs to property and equipment.

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at January 1, 2016
Property and equipment		
Reclassification to property and equipment	3,733	1,575
	3,733	1,575

H. Capitalization of borrowing costs

With transition to IFRS, an increase of SAR 11.0 million was recognized in capital work in progress which represents capitalization of borrowing costs in accordance with IAS 23 previously charged off as an expense.

I. Prepayments and other current assets

As at the date of transition to IFRS, prepayments and other current assets balance increased by SAR 4.6 million as certain receivable amounts from Al Waha, previously eliminated on consolidation under SOCPA, were recognised since Al Waha is no longer consolidated under IFRS. (Refer to note A).

J. Other non-current assets

As at the date of transition to IFRS, interest free advance given to SAMAPCO as a subordinated loan was re-measured to its fair value. The difference between repayable amount per contract and the fair value is presented as a non-current asset and represent the additional amount SAMAPCO will need to pay for full settlement of the advance.

Statement of financial position	As at December 31, 2016	As at January 1, 2016
Increase in other non-current assets	16,237	17,716

Statement of profit and loss and other comprehensive income	For the year ended December 31, 2016
Increase in finance cost	1,479

K. Financial income

As at the date of transition to IFRS, interest free advance given to SAMAPCO as a subordinate loan was re-measured to its fair value and carried at amortized cost. This resulted in an increase in financial income for the year ended December 31, 2016.

Statement of profit and loss and other comprehensive income	For the year ended December 31, 2016
Increase in financial income	1,259

Expressed in Saudi Arabian Riyals in thousands

9. PROPERTY AND EQUIPMENT

Property and equipment as at December 31, comprise of the following:

2017	Buildings and leasehold land improvements	Furniture, fixtures and office equipment	Vehicles	Capital work in progress	Total
Cost:					
At January 1, 2017	106,844	35,024	2,820	386,830	531,518
Additions	6	2,090	-	86,602	88,698
Transfers in / (out)	16,189	-	-	(16,189)	-
Transferred to other non-current assets	-	-	-	(441,315)	(441,315)
Disposals	-	(7)	(870)	-	(877)
At December 31, 2017	**123,039**	**37,107**	**1,950**	**15,928**	**178,024**
Accumulated Depreciation:					
At January 1, 2017	(17,769)	(24,365)	(1,972)	-	(44,106)
Charge for the year	(3,570)	(4,101)	(555)	-	(8,226)
Disposals	-	5	870	-	875
At December 31, 2017	**(21,339)**	**(28,461)**	**(1,657)**	**-**	**(51,457)**
Net Book Value:					
As at December 31, 2017	**101,700**	**8,646**	**293**	**15,928**	**126,567**

2016	Buildings and leasehold land improvements	Furniture, fixtures and office equipment	Vehicles	Capital work in progress	Total
Cost:					
At January 1, 2016	105,606	34,640	3,403	202,020	345,669
Additions	1,238	455	-	184,846	186,539
Transfers in / (out)	-	-	36	(36)	-
Disposals	-	(71)	(619)	-	(690)
At December 31, 2016	**106,844**	**35,024**	**2,820**	**386,830**	**531,518**
Accumulated Depreciation:					
At January 1, 2016	(14,470)	(20,242)	(1,993)	-	(36,705)
Charge for the year	(3,299)	(4,194)	(598)	-	(8,091)
Disposals	-	71	619	-	690
At December 31, 2016	**(17,769)**	**(24,365)**	**(1,972)**	**-**	**(44,106)**
Net Book Value:					
As at December 31, 2016	**89,075**	**10,659**	**848**	**386,830**	**487,412**
As at January 1, 2016	91,136	14,398	1,410	202,020	308,964

i) Administrative building of the Group are constructed on land leased under a renewable lease contract with the Royal Commission for Jubail and Yanbu (the "Royal Commission") to the Group. The lease term is for an initial period of 30 years commenced in 2006 and is renewable by mutual agreement of the parties.

ii) During 2017, housing project for the employees has been transferred to long-term prepaid employees' benefits amounting to SR 441.3 million.

Expressed in Saudi Arabian Riyals in thousands

10. INTANGIBLE ASSETS

	2017	2016
Cost:		
At January 1,	34,618	34,605
Additions for the year	10	13
At December 31,	**34,628**	**34,618**
Accumulated Amortization:		
At January 1,	(12,081)	(9,949)
Charge for the year	(2,019)	(2,132)
At December 31,	**(14,100)**	**(12,081)**
Net Book Value:		
As at December 31,	**20,528**	**22,537**

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Investment in Joint Ventures (JVs)	11.1	1,723,999	1,651,634	1,639,949
Investment in associates	11.2	1,983,791	2,036,853	2,164,822
		3,707,790	**3,688,487**	**3,804,771**

11.1 Investment in JVs

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Investment in JVs:				
Al Waha Petrochemicals Company	11.1.1	1,668,946	1,617,492	1,569,229
Sahara & Ma'aden Petrochemicals Company	11.1.2	-	-	37,837
		1,668,946	**1,617,492**	**1,607,066**
Advances to JVs:				
Sahara & Ma'aden Petrochemicals Company	11.1.3	55,053	34,142	32,883
		1,723,999	**1,651,634**	**1,639,949**

11.1.1 Al Waha Petrochemicals Company (Al Waha)

The Group has a 75% interest in Al Waha, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of propylene and polypropylene.

The Group's interest in Al Waha is accounted for using the equity method in the consolidated financial statements.

The tables below provide summarised financial information for Al Waha. The information disclosed reflects the amounts presented in the financial statements of Al Waha and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed.

Expressed in Saudi Arabian Riyals in thousands

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets	3,118,665	3,177,007	3,315,115
Current assets (excluding cash and cash equivalents)	720,251	646,002	579,002
Cash and cash equivalents	497,264	646,227	375,256
Total current assets	1,217,515	1,292,229	954,258
Non-current liabilities	(1,702,170)	(1,831,666)	(1,940,146)
Current financial liabilities (excluding trade payables and provisions)	(161,020)	(393,528)	(123,533)
Other current liabilities	(339,300)	(179,493)	(183,253)
Total current liabilities	(500,320)	(573,021)	(306,786)
Net Assets *	**2,133,690**	**2,064,549**	**2,022,441**

* The Group's share of net assets in Al Waha is not exactly equal to the percentage of shareholding to the share of net assets due to Zakat and tax adjustments.

Reconciliation to carrying amount:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Balance as at January 1	1,617,492	1,569,229
Share of profit for the year	208,463	230,072
Dividends received	(156,505)	(176,573)
Share of other comprehensive income	(504)	(5,236)
Balance as at December 31	1,668,946	1,617,492

Summarized statement of profit or loss of Al Waha:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue	1,869,795	1,824,580
Depreciation and amortisation	219,757	222,456
Finance cost	96,696	83,952
Interest Income	8,110	10,257
Zakat and income tax	26,806	26,457
Profit before zakat and income tax	296,619	325,546
Profit after zakat and income tax	269,813	299,089
Other comprehensive loss	(672)	(6,981)
Total comprehensive income	269,141	292,108

The Group has no contingent liabilities or capital commitments relating to its interest in the JV as at December 31, 2016.

The JV has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 317.4 million as at December 31, 2017 (December 31, 2016: Saudi Riyals 425.7 million and January 1, 2016: Saudi Riyals 430.9 million).

During the year ended December 31, 2017, the JV has declared and paid dividends amounting to Saudi Riyals 200.0 million (2016: Saudi Riyals 250.0 million).

Expressed in Saudi Arabian Riyals in thousands

11.1.2 Sahara and Ma'aden Petrochemical Company (SAMAPCO)

The Group has a 50% interest in SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic soda, Chlorine and Ethyl Dichloride.

The Group's interest in SAMAPCO is accounted for using the equity method in the consolidated financial statements.
The tables below provide summarised financial information for SAMAPCO. The information disclosed reflects the amounts presented in the financial statements of SAMAPCO and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed.

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets	2,584,058	2,738,400	2,849,451
Current assets (excluding cash and cash equivalents)	274,973	207,642	254,421
Cash and cash equivalents	80,305	56,495	59,250
Total current assets	355,278	264,137	313,671
Non-current liabilities	(1,996,800)	(1,896,221)	(1,905,102)
Current financial liabilities (excluding trade payables and provisions)	(166,724)	(246,380)	(266,126)
Other current liabilities	(291,376)	(349,123)	(340,725)
Total current liabilities	(458,100)	(595,503)	(606,851)
Net Assets *	**484,436**	**510,813**	**651,169**

* As at the date of transition to IFRS, the Group has recorded impairment loss of Saudi Riyals 266.2 million. As a result, the Group's share of net assets in SAMAPCO is not exactly equal to the percentage of shareholding.

Reconciliation to carrying amount:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Balance as at January 1	-	37,837
Share of loss for the year	-	(37,837)
Balance as at December 31	-	-

Summarized statement of profit or loss of SAMAPCO:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue	645,973	501,234
Depreciation and amortisation	125,372	117,432
Finance cost	72,745	59,972
Financial income	402	1,008
Zakat and income tax	-	-
Loss before zakat	(44,922)	(140,356)
Loss after zakat	(44,922)	(140,356)
Other comprehensive income	546	-
Total comprehensive loss	(44,376)	(140,356)

Expressed in Saudi Arabian Riyals in thousands

The Group has provided a financial guarantee to Saudi Industrial Development Fund ("SIDF") on behalf of JV against long-term borrowings from SIDF.
The JV has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 20.2 million as at December 31, 2017 (December 31, 2016: Saudi Riyals 20.4 million and January 1, 2016: Saudi Riyals 11.5 million).

The capital expenditure contracted by the JV but not yet incurred till December 31, 2017 was approximately Saudi Riyals 4.5 million (December 31, 2016: Saudi Riyals 162.4 million and January 1, 2016: Saudi Riyals 163.6 million).

11.1.3 Advances to SAMAPCO

The Group has provided an interest free long term advance to SAMAPCO which is subordinated to certain term loans obtained from commercial banks. During the year, the Group has advanced Saudi Riyals 27.8 million as ineterst free loan to the JV. The movement is as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Balance as at January 1	34,142	32,883
Advances given during the year	27,750	-
Fair value adjustment	(8,538)	-
Interest income for the year	1,699	1,259
Balance as at December 31	**55,053**	**34,142**

11.2 Investment in associates

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Investment in associates:				
Tasnee & Sahara Olefins Company	11.2.1	1,734,602	1,797,836	1,905,523
Saudi Acrylic Acid Company	11.2.2	199,984	189,812	194,694
		1,934,586	**1,987,648**	**2,100,217**
Advances to associates:				
Saudi Acrylic Acid Company	11.2.3	49,205	49,205	64,605
		1,983,791	**2,036,853**	**2,164,822**

11.2.1 Tasnee & Sahara Olefins Company (TSOC)

The Group has a 32.55% interest in TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Propylene, Ethylene and Polyethylene.

The Group's interest in TSOC is accounted for using the equity method in the financial statements.

The tables below provide summarised financial information for TSOC. The information disclosed reflects the amounts presented in the financial statements of TSOC and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed.

Expressed in Saudi Arabian Riyals in thousands

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets	6,770,547	6,892,616	6,986,980
Current assets (excluding cash and cash equivalents)	167,991	370,046	300,040
Cash and cash equivalents	595,007	505,867	618,557
Total current assets	762,998	875,913	918,597
Non-current liabilities	(1,484,161)	(1,588,580)	(1,432,353)
Current financial liabilities (excluding trade payables)	(113,503)	(77,735)	(195,548)
Other current liabilities	(221,600)	(267,999)	(134,742)
Total current liabilities	(335,103)	(345,734)	(330,290)
Minority interests	(318,158)	(310,911)	(288,791)
Net Assets	**5,396,123**	**5,523,304**	**5,854,143**

Reconciliation to carrying amount:

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Balance as at January 1		1,797,836	1,905,523
Loss from loan waiver directly charged to equity		(43,546)	-
Share of loss for the year		314,479	282,913
Dividends received	26	(333,639)	(390,600)
Share of other comprehensive loss		(528)	-
Balance as at December 31		1,734,602	1,797,836

Summarized statement of profit or loss of TSOC:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue	821,334	644,416
Finance cost	(60,440)	(44,062)
Zakat and income tax	(17,918)	(7,859)
Profit before zakat	966,140	875,599
Profit after zakat	948,222	867,740
Other comprehensive loss	(1,622)	-
Total comprehensive income	946,600	867,740

The Group has no contingent liabilities or capital commitments relating to its interest in the JV as at December 31, 2016.

The JV has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 251.0 million as at December 31, 2017 (December 31, 2016: Saudi Riyals 239.0 million and January 1, 2016: Saudi Riyals 247.0 million).

The capital expenditure contracted by the JV but not yet incurred till December 31, 2017 was approximately Saudi Riyals 16.4 million (December 31, 2016: Saudi Riyals 0.5 million and January 1, 2016: Saudi Riyals 41.9 million).

Expressed in Saudi Arabian Riyals in thousands

During the year ended December 31, 2017, the Company has declared and paid dividends amounting to Saudi Riyals 1,025.0 million (December 31, 2016: Saudi Riyals 1,200.0 million).

11.2.2 Saudi Acrylic Acid Company (SAAC)

The Group has a 22% direct and 21.16% indirect interest in SAAC through TSOC, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Acrylic Acid and its related products.

The Group's interest in SAAC is accounted for using the equity method in the financial statements.

The tables below provide summarised financial information for SAAC. The information disclosed reflects the amounts presented in the financial statements of SAAC and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed.

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets		2,577,613	2,771,943	2,790,116
Current assets (excluding cash and cash equivalents)		138,829	351,278	217,261
Cash and cash equivalents		316,623	318,613	223,585
Total current assets		455,452	669,891	440,846
Non-current liabilities		(1,921,639)	(2,287,986)	(2,067,833)
Current financial liabilities (excluding trade payables)		(113,503)	(77,735)	(148,409)
Other current liabilities		(88,904)	(183,865)	(129,745)
Total current liabilities		(202,407)	(261,600)	(278,154)
Net Assets		**909,019**	**892,248**	**884,975**

Reconciliation to carrying amount:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Balance as at January 1	189,812	194,694
Income from loan waiver directly charged to equity	43,546	15,400
Share of loss for the year	(32,825)	(20,282)
Share of other comprehensive loss	(549)	-
Balance as at December 31	199,984	189,812

Summarized statement of profit or loss of SAAC:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue	821,334	644,416
Finance cost	(60,440)	(46,963)
Zakat and income tax	(7,922)	3,077
Loss before zakat	(170,679)	(66,730)
Loss after zakat	(178,600)	(69,807)
Other comprehensive loss	(2,495)	-
Total comprehensive loss	(181,095)	-

Expressed in Saudi Arabian Riyals in thousands

The Group has no contingent liabilities or capital commitments relating to its interest in the JV as at December 31, 2016.

The JV has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 251.0 million as at December 31, 2017 (December 31, 2016: Saudi Riyals 239.0 million and January 1, 2016: Saudi Riyals 247.0 million).

The capital expenditure contracted by the JV but not yet incurred till December 31, 2017 was approximately Saudi Riyals 16.4 million (December 31, 2016: Saudi Riyals 0.5 million and January 1, 2016: Saudi Riyals 41.9 million).

11.2.3 Advances to SAAC

The Group has provided long-term advance to SAAC which carries commission, and is subordinated to certain term loans obtained from commercial banks.

12. LONG-TERM INVESTMENTS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Available for sale investments (“AFS”)	12.1	200,384	241,882	294,987
Loans and receivables	12.3	42,000	42,000	20,000
		242,384	**283,882**	**314,987**

12.1 AFS Financial assets:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Listed securities				
Riyad REIT Fund		72,975	84,000	75,000
Unlisted securities				
Mutual fund units		127,409	157,882	219,987
	12.2	200,384	241,882	294,987

12.2 Re-conciliation of fair value measurement of investment classified as AFS

	For the year ended December 31, 2017	For the year ended December 31, 2016
As at January 1,	241,882	294,987
Purchases	39,424	340
Sales	(75,000)	(62,483)
Remeasurement recognised in other comprehensive income	(5,922)	9,038
As at December 31,	**200,384**	**241,882**

12.3 Loans and receivables

This includes investments in various Sukuks which earn profit at prevailing market rates which are based on Saudi inter-bank offer rate.

Expressed in Saudi Arabian Riyals in thousands

13. OTHER NON-CURRENT ASSETS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Long-term prepaid employee benefits	13.1	395,047	-	-
Others		22,827	16,237	17,716
		417,874	**16,237**	**17,716**

13.1 These are costs related to house construction, site development and infrastructure associated with the home ownership program. The break-up is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Receoverable from employees:			
Prepaid employee benefits – HOP	379,524	-	-
Not recoverable from employees:			
Prepaid employee benefits - Site	15,523	-	-
	395,047	**-**	**-**

14. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Prepayments		3,193	1,623	4,312
Due from related parties	26	31,462	22,852	25,020
Receivable from employees		12,392	2,169	3,469
Accrued profit on Murabaha deposits		4,065	4,293	2,192
Advances to suppliers		1,375	6,418	20,981
Others		6,827	6,719	6,814
		59,314	**44,074**	**62,788**

15. MURAHABA DEPOSITS

Murabaha deposits were placed with the local commercial banks having contractual maturities more than three months and yield financial income at prevailing market rates.

Expressed in Saudi Arabian Riyals in thousands

16. CASH AND CASH EQUIVALENTS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Cash in hand		1	-	10
Cash at bank		38,912	62,946	67,901
Murabaha deposits	16.1	475,000	1,014,728	494,601
		513,913	**1,077,674**	**562,512**

16.1 Murabaha deposits were held with local commercial banks and yield financial income at the prevailing market rates having original maturities of less than three months.

16.2 All cash and cash equivalents are non-conventional.

16.3 The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year. The table below provides details of amounts placed in various currencies.

	December 31, 2017	December 31, 2016	January 1, 2016
SAR	513,909	1,077,674	562,512
USD	4	-	-
	513,913	**1,077,674**	**562,512**

17. SHARE CAPITAL

As at December 2017, the share capital of the Company was SR 4,387,950,000 (December 31, 2016 and January 1, 2016: SR 4,387,950,000 each) divided into 438,795,000 shares (December 31, 2016 and January 1, 2016: 438,795,000 shares each) of SR 10 each.

18. OTHER COMPONENTS OF EQUITY

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Available for sale investment reserve	18.1	2,620	8,542	(496)
Cash flow hedge reserve	18.2	(13,240)	(6,873)	-
Acturial gain or loss reserve	18.3	3,279	-	-
		(7,341)	**1,669**	**(496)**

18.1 This represents cumulative gain / (loss) on the available for sale investment.

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
As at January 1,		8,542	(496)
Remeasurements gains / (losses) recognised in other comprehensive income	12.1	(5,922)	9,038
As at December 31,		**2,620**	**8,542**

Expressed in Saudi Arabian Riyals in thousands

18.2 During 2016, the Company entered into interest rate swap contracts with commercial banks to manage the exposure of volatility in interest rates, for a notional amount of Saudi Riyals 200.0 million with no upfront premium. This represented 40% of the total loan balance.

As at December 31, 2017, these interest rate swap contracts had negative fair values of Saudi Riyals 2.9 million (December 31, 2016: Saudi Riyals 1.6 million and January 1, 2016: Nil).

The Company has also recorded its share of the changes in fair values of derivative financial instruments designated as hedge from its associates and joint ventures amounting to Saudi Riyals 10.3 million (December 31, 2016: Saudi Riyals 5.3 million and January 1, 2016: Nil).

	For the year ended December 31, 2017	**For the year ended December 31, 2016**
As at January 1,	(6,873)	-
Change in fair value of derivative financial instruments designated as hedge	(1,216)	(1,637)
Change in fair value of derivative financial instruments designated as hedge from associates and joint ventures	(5,151)	(5,236)
As at December 31,	**(13,240)**	**(6,873)**

18.3 This represents the cumulative actuarial gain or loss booked on re-measurement of defined benefit obligations.

	For the year ended December 31, 2017	**For the year ended December 31, 2016**
As at January 1,	-	-
Actuarial loss on re-measurement of defined benefit obligations	(292)	-
Actuarial gain on re-measurement of defined benefit obligations from associates and joint ventures	3,571	-
As at December 31,	**3,279**	**-**

19. LONG TERM BORROWINGS

	Note	**December 31, 2017**	**December 31, 2016**	**January 1, 2016**
Current				
Loan from a commercial bank		38,889	50,000	-
Non-current				
Loan from a commercial bank		291,667	425,000	233,844
Total long-term borrowings	19.1	**330,556**	**475,000**	**233,844**

During 2013, the Group signed a loan agreement of Saudi Riyals 500 million with a commercial bank to finance the employee housing scheme for the Group's employees and its joint ventures - Al Waha and SAMAPCO. The Group has drawn the entire facility as at December 31, 2016. During the year ,the repayment schedule has been changed with the agreement of the Bank.The loan bears financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus 2% and is repayable in twenty equal semi-annual instalments commencing after three years from the draw down date.

Expressed in Saudi Arabian Riyals in thousands

19.1 Maturity profile of long term borrowings:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
2017		-	50,000	23,384
2018		38,889	50,000	23,384
2019		38,889	50,000	23,384
2020		38,889	50,000	23,384
2021		38,889	50,000	23,384
2022		38,889	50,000	23,384
2023		38,889	50,000	23,384
Thereafter		97,222	125,000	70,156
Total		**330,556**	**475,000**	**233,844**

20. EMPLOYEES' END OF SERVICE BENEFITS

The movement in the present value of defined benefit obligation is as follows:

	December 31, 2017	December 31, 2016
Balance as at January 1	85,567	71,918
Charged to statement of income:		
- Current service cost	11,881	12,600
- Interest cost	3,230	3,082
	15,111	15,682
Charged to statement of other comprehensive income:		
Re-measurements on obligation:		
- Actuarial gain from changes in financial assumptions	(2,197)	-
- Experience adjustments	2,489	-
	292	-
Benefits paid during the year	(1,131)	(13,112)
Adjustment / transfers during the year	(82)	11,079
Balance as at December 31	**99,757**	**85,567**

The significant actuarial assumptions are as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Discount rate used for calculation of interest cost	3.80%	3.80%
Discount rate used for calculation of obligation	3.80%	3.80%
Salary increment rate used for calculation of obligation	4.20%	4.40%
Mortality rates (from mortality table)	A49-52	A49-52
Withdrawl rates	6.00%	6.00%
Retirement Assumption (Age in years)	60	60

The average duration of the defined benefit obligation is 11 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for year ended December 31, 2017 is as follows:

Expressed in Saudi Arabian Riyals in thousands

Discount rate + 100 bps	90,654
Discount rate - 100 bps	111,854
Salary increase + 100 bps	112,037
Salary increase - 100 bps	90,307

21. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group has entered into interest swap contracts with commercial banks to manage the exposure of volatility in interest rates, for a notional amount of SR 200.0 million with no upfront premium. At December 31, 2017, the Group had outstanding interest rate swap agreements with commercial banks with negative fair values of Saudi Riyals 2.9 million (December 31, 2016: Saudi Riyals 1.6 million, January 1, 2016: Nil).

22. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Accrued expenses		25,760	19,342	23,484
Accrued purchases		8,312	5,418	3,502
Advances from related parties	26	-	38,770	30,955
Accrued finance cost		-	111	1,355
Others		350	2,349	2,351
		34,422	**65,990**	**61,647**

23. PROVISION FOR ZAKAT

The Group is subject to Zakat in the Kingdom of Saudi Arabia in accordance with Saudi Arabia fiscal regulation.

a) Summary of the items included in Zakat base for the year ended December 31, is as follows:

	For the year ended December 31, 2017
Shareholders' equity at beginning of year	5,222,170
Adjusted net profit	2,997
Provisions at beginning of year	85,567
Non-current assets, as adjusted	(4,033,967)
Approximate zakat base	**1,276,767**

b) The zakat for the year ended December 2016 was based on financial statements for the year ended December 31, 2016 prepared under SOCPA.

c) Movement in zakat provision

	For the year ended December 31, 2017	For the year ended December 31, 2016
At beginning of the year	35,500	29,404
Charged during the year	37,000	35,500
Excess provision for the prior years	(2,647)	(129)
Charge for the year – net	34,353	35,371
Paid during the year	(36,236)	(29,275)
At end of the year	**33,617**	**35,500**

Expressed in Saudi Arabian Riyals in thousands

d) Outstanding assessment and zakat status:
The Group has received the zakat assessments for the years through 2009-2015. The status is as follows:

(i) For the years 2009 to 2011, GAZT calculated an additional zakat liability of Saudi Riyals 3.4 million for the Group. Although the Group has paid this additional zakat amount to GAZT in full in January 2018, it disputes the calculation and has claimed a refund of Saudi Riyals 1.6 million from GAZT for these years.

(ii) For the years 2012 to 2015, GAZT calculated an additional zakat liability of Saudi Riyals 11.9 million for the Group. The Group is in the process of filing an appeal and disputes the zakat calculation by GAZT.

The Group has received Zakat certificate for the year 2016, however, GAZT has not yet carried out an assessment for the year 2016.

24. FINANCE INCOME

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Income from financial assets			
Financial income from Murabaha deposits		20,446	30,028
Financial income from loans to affiliates	26	4,539	4,189
Financial income from long-term investments		2,708	4,762
Dividend income		1,949	5,216
		29,642	**44,195**

25. GENERAL AND ADMINISTRATIVE EXPENSES, NET

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Salaries, wages and benefits		166,743	157,086
Maintenance		28,927	32,473
Depreciation and amortization	9,10 & 13	11,906	10,223
Computer-related		9,396	8,988
Rent		1,749	2,879
Professional services		2,877	4,101
Board of Directors fees and expenses	26	2,534	2,637
Donations		1,090	1,518
Others		19,036	15,186
		244,258	235,091
Shared service expenses charged to Al Waha	25.1 & 26	(121,197)	(121,082)
Shared service expenses charged to SAMAPCO	25.1 & 26	(86,764)	(84,749)
		36,297	**29,260**

25.1 Represents expenses related to salaries and wages of several departments which has been incurred by the Group and charged back to Al Waha & SAMAPCO on the basis of agreed percentage in the shared services agreements.

26. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties consist of the shareholders, their subsidiaries, affiliates and the Group's Board of Directors. Significant transaction with related parties was as follows:

Expressed in Saudi Arabian Riyals in thousands

a) The Group has a service level agreement with Al Waha and SAMAPCO for the provision of accounting, treasury, maintenance, human resources, information technology (ERP/SAP), procurement and related services and other general services.

b) The Group has provided long term advance to SAAC which carries commission, and is subordinated to certain term loans obtained from commercial banks.

c) The Group has provided interest-free long term advance to SAMAPCO which is subordinated to certain term loans obtained from commercial banks.

d) The Group charges interest to SAAC in relation to the subordinated loan mentioned in (b).

e) The Group has a service level agreement with Al Waha and SAMAPCO to manage the house ownership project for their employees.

f) The Group has obtained a loan from a commercial bank to finance the house ownership program for the Group's employees and its joint ventures - Al Waha and SAMAPCO. The Group allocates finance cost to Al Waha and SAMAPCO under service level agreement.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group 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.

i) During the year ended December 31, the Group had the following significant transactions with its related parties:

Related party	Relationship	Nature of transaction	For the year ended December 31, 2017	For the year ended December 31, 2016
Al Waha Petrochemical Company	Joint venture	Shared services cost charged to Al Waha	121,197	121,082
		Cost and expenses charged by Al Waha	760	308
		Dividends received	156,505	176,573
		Transfer of HOP assets to Al Waha	15,068	-
		Allocation of HOP finance cost to Al Waha	4,612	-
Sahara and Ma’aden Petrochemical Company	Joint venture	Shared service cost charged to SAMAPCO	86,764	85,115
		Loan injection	27,750	-
		Interest income	1,699	1,259
		Transfer of HOP assets to SAMAPCO	12,417	-
		Allocation of HOP finance cost to SAMAPCO	3,801	-
Tasnee Sahara Oilfen Company	Associate	Dividends received	333,639	390,600
Saudi Acrylic Acid Company	Associate	Interest income	2,840	2,930
Board of Directors	Key management Personnel	Board of Directors fees and expenses	2,534	2,637

Expressed in Saudi Arabian Riyals in thousands

ii) Remuneration for the year ended 31 December of key management can be detailed as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Short-term employee benefits	9,368	7,880
Long-term benefits	2,230	1,634
	11,598	9,514

iii) The above transactions resulted in the following balances with related parties as at December 31:

a) Prepayments and other current assets

	December 31, 2017	December 31, 2016	January 1, 2016
Al Waha Petrochemicals Company	7,786	-	-
Sahara and Ma'aden Petrochemicals Company	9,524	11,540	16,638
Saudi Acrylic Acid Company	14,152	11,312	8,382
	31,462	**22,852**	**25,020**

b) Advances from related parties:

	December 31, 2017	December 31, 2016	January 1, 2016
Al Waha Petrochemicals Company	-	27,130	26,507
Sahara and Ma'aden Petrochemicals Company	-	11,640	4,448
	-	**38,770**	**30,955**

27. CASH GENERATED FROM OPERATIONS

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Net profit before zakat		478,879	466,763
Adjustment for non-cash items:			
Depreciation on property and equipment	9	8,226	8,091
Amortization of intangible assets	10	2,019	2,132
Share in net income of equity accounted investees		(490,117)	(454,866)
Finance cost		4,402	3,115
Amortization of HOP assets		1,661	-
Interest income from advances to joint ventures and associates		(4,539)	(4,189)
Loss on disposal of property and equipment		2	-
Provision for employees' end of service benefits	20	15,111	15,682
Other provisions and adjustments		(81)	11,079
Working capital changes	27.1	(13,505)	25,100
		2,058	**72,907**

Expressed in Saudi Arabian Riyals in thousands

27.1 Working capital changes

	For the year ended December 31, 2017	For the year ended December 31, 2016
Increase / (decrease) in current assets		
- Prepayments and other current assets	15,084	21,644
(Increase) / decrease in current liabilities		
-Trade payables	(864)	(2,131)
-Accrued expenses and other current liabilities	(27,725)	5,587
	(13,505)	**25,100**

28. SEGMENT REPORTING

The Group has investment in various companies which are involved in the manufacturing of petrochemical products. The chief operating decision maker (CODM) periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 ‘Operating Segments’ has not been disclosed. The CODM, however, periodically receives summarized financial performance of all of its equity accounted investees. Please refer to Note 11 where this summarized financial performance information has been disclosed in these consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

The management has overall responsibility for the establishment and oversight of the Group’s risk management framework.

The Group’s risk management practices are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these financial statements.

a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group’s transactions are principally in Saudi Riyals and United States Dollars. Transactions in other foreign currencies are not material. Therefore, the Group is not materially exposed to currency risk arising from various currency exposures.

Expressed in Saudi Arabian Riyals in thousands

(ii) Commodity risk

The Group's associates and joint ventures are exposed to the impact of market fluctuations of the price of various inputs to production, mainly propane, ethylene, salt, natural gas and utilities. These have been separately disclosed in their respective financial statements.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the interest rate profile of the Group's significant interest bearing financial instruments was:

	December 31, 2017	December 31, 2016	January 1, 2016
Fixed rate instruments:			
Financial assets			
Murabaha deposits (Cash and cash equivalents)	475,000	1,014,728	494,601
Murabaha deposits	775,000	300,000	245,000
Financial liabilities	-	-	-
Net exposure	**1,250,000**	**1,314,728**	**739,601**
Floating rate instruments:			
Financial assets			
Advances to SAAC	49,205	49,205	80,074
Long-term investments (excluding AFS)	42,000	42,000	20,000
	91,205	91,205	100,074
Financial liabilities			
Borrowings	(330,556)	(475,000)	(233,844)
Derivative financial instrument	(2,853)	(1,637)	-
Net exposure	**(242,204)**	**(385,432)**	**(133,770)**

b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Group arises from deposits with banks, advances to an associate and a joint venture, long-term investments, due from related parties and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Cash and cash equivalents	16	513,913	1,077,674	562,512
Murabaha deposits	15	775,000	300,000	245,000
Long-term investments	12	242,384	283,882	314,987
Advances to equity accounted investees	11	104,258	83,346	112,957
Due from related parties	14	31,462	22,852	25,020
Other receivables		23,284	13,181	12,475
		1,690,301	**1,780,935**	**1,272,951**

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a significant number of counter parties.

Expressed in Saudi Arabian Riyals in thousands

(ii) Credit quality of financial assets

The credit quality of financial assets (mainly bank balances and investments in mutual funds) that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Institution / Rating	Short-term	Long-term	Rating agency	December 31, 2017	December 31, 2016	January 1, 2016
Cash and cash equivalents						
Saudi British Bank	A1	P-1	Moody's	133,046	502,191	95,675
Saudi Investment Bank	A3	P-2	Moody's	180,015	350,015	250,015
Bank Saudi Fransi	A1	P-1	Moody's	100,417	100,013	12,132
Emirates NBD	A3	P-2	Moody's	100,010	10	10
Al Awwal Bank	A3	P-2	Moody's	20	120,025	25
National Commercial Bank	F1	A-	Fitch	362	5,383	4,610
Riyad Bank	F2	A-	Fitch	30	25	200,023
Al Raji Bank	A1	-	Moody's	12	12	12
Total cash and cash equivalents				**513,912**	**1,077,674**	**562,502**
Murahaba deposits						
Gulf International Bank B.S.C	P-2	Baa1	Moody's	525,000	-	245,000
Al Awal Bank	A3	P-2	Moody's	250,000	200,000	-
Arab National Bank	A2	A	CI ratings	-	100,000	-
Total Murabaha deposits				**775,000**	**300,000**	**245,000**

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2017, the Group had Saudi Riyals 513.9 million cash and cash equivalents.

The table below analyzes the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Carrying amount	Less than one year	One to five years	More than five years
As at December 31, 2017				
Accrued financial charges	8,312	8,312	-	-
Long-term borrowings	330,556	38,889	155,556	136,111
Trade and other payables	3,400	3,400	-	-
Accrued expenses and other liabilities	34,422	34,422	-	-
	376,690	85,023	155,556	136,111

Expressed in Saudi Arabian Riyals in thousands

	Carrying amount	Less than one year	One to five years	More than five years
As at December 31, 2016				
Accrued financial charges	5,418	5,418	-	-
Long-term borrowings	475,000	50,000	200,000	225,000
Trade and other payables	4,264	4,264	-	-
Accrued expenses and other liabilities	61,647	61,647	-	-
	546,329	121,329	200,000	200,000
As at January 1, 2016				
Accrued financial charges	3,502	3,502	-	-
Long-term borrowings	233,844	-	93,536	140,308
Trade and other payables	6,395	6,395	-	-
Accrued expenses and other liabilities	61,647	61,647	-	-
	305,388	71,544	93,536	140,308

29.2 Fair value estimation

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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.

The following table presents the financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Available for sale investments				
December 31, 2017	**72,975**	**127,409**	**-**	**200,384**
December 31, 2016	84,000	157,882	-	241,882
January 1, 2016	75,000	219,987	-	294,987
Loans and receivables				
December 31, 2017	**-**	**42,000**	**-**	**42,000**
December 31, 2016	-	42,000	-	42,000
January 1, 2016	-	20,000	-	20,000
Liabilities:				
Financial liabilities at fair value				
December 31, 2017	**-**	**2,853**	**-**	**2,853**
December 31, 2016	-	1,637	-	1,637
January 1, 2016	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Expressed in Saudi Arabian Riyals in thousands

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The Group has no such type of financial instruments as on December 31, 2016.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Financial instruments by categories

(i) Financial assets

Financial assets	**Total**	**Loans and receivables**	**Held to maturity**	**Assets at fair value through profit and loss**	**Derivatives used for hedging**	**Available for sale**
December 31, 2017:						
Cash and cash equivalents	513,913	513,913	-	-	-	-
Murabaha deposits	775,000	775,000	-	-	-	-
Long-term investments	242,384	42,000	-	-	-	200,384
Advances to equity accounted investees	104,258	104,258	-	-	-	-
Due from related parties	31,462	31,462	-	-	-	-
Othe receivables	23,284	23,284	-	-	-	-
	1,690,301	**1,489,917**	**-**	**-**	**-**	**200,384**
December 31, 2016:						
Cash and cash equivalents	1,077,674	1,077,674	-	-	-	-
Murabaha deposits	300,000	300,000	-	-	-	-
Long-term investments	283,882	42,000	-	-	-	241,882
Advances to equity accounted investees	83,347	83,347	-	-	-	-
Due from related parties	22,852	22,852	-	-	-	-
Other receivables	13,181	13,181	-	-	-	-
	1,780,936	**1,539,054**	**-**	**-**	**-**	**241,882**
January 1, 2016:						
Cash and cash equivalents	562,512	562,512	-	-	-	-
Murabaha deposits	245,000	245,000	-	-	-	-
Long-term investments	314,987	20,000	-	-	-	294,987
Short-term investments	100,000	100,000	-	-	-	-
Advances to equity accounted investees	97,488	97,488	-	-	-	-
Due from related parties	25,020	25,020	-	-	-	-
Othe receivables	12,475	12,475	-	-	-	-
	1,357,482	**1,062,495**	**-**	**-**	**-**	**294,987**

Expressed in Saudi Arabian Riyals in thousands

(ii) Financial liabilities

	Total	At fair value	At amortized cost
As at December 31, 2017:			
Long-term borrowings	330,556	-	330,556
Trade Payables	3,400	-	3,400
Accrued expenses and other current liabilities	34,422	-	34,422
Derivative financial instrument	2,853	2,853	-
	371,231	2,853	368,378
As at December 31, 2016:			
Long-term borrowings	475,000	-	475,000
Trade Payables	4,264	-	4,264
Accrued expenses and other current liabilities	65,990	-	65,990
Derivative financial instrument	1,637	1,637	-
	546,891	1,637	545,254
As at January 1, 2016:			
Long-term borrowings	233,844	-	233,844
Trade Payables	6,395	-	6,395
Accrued expenses and other current liabilities	61,647	-	61,647
Derivative financial instrument	-	-	-
	301,886	-	301,886

29.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensurating to the circumstances. The Group monitors the capital structure on the basis of gearing ratio.

The gearing ratios at 31 December 2017 and 2016 and as at 1 January 2016 were as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Interest bearing loans and borrowings	330,556	475,000	233,844
Less: cash and cash equivalents	(513,913)	(1,077,674)	(562,512)
Net debt	(183,357)	(602,674)	(328,668)
Total Equity	5,328,791	5,222,170	5,039,534
Net debt to equity ratio (in times)	**0.03**	**0.12**	**0.07**

Expressed in Saudi Arabian Riyals in thousands

30. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES

Components of consolidated statement of financial position

	December 31, 2017	December 31, 2016	January 1, 2016
Cash and cash equivalents - non-conventional			
Current Murabaha (including fixed term deposits)	475,000	1,014,728	494,601
Current accounts (excluding fixed term deposits)	38,412	62,946	67,901
	513,412	**1,077,674**	**562,502**
Murabaha deposits – non-conventional	**775,000**	**300,000**	**245,000**
Borrowings - non-conventional	**330,556**	**475,000**	**233,844**

Components of consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31, 2017	For the year ended December 31, 2017
Financial income – non-conventional		
Murabaha with banks (time deposits)	20,446	30,028
Long-term investments	2,708	4,762
Dividends	1,950	5,216
	25,104	**40,006**
Financial income – conventional		
Advances to equity accounted investees	**4,538**	**4,189**
Finance cost – non-conventional		
Interest expenses related to loan from a commercial bank	**4,402**	**3,115**

31. OPERATING LEASES

The Group has various operating leases for the land, computer equipments, machinery and car rentals. The leases, except land, are for initial period of one year with options to renew the leases after lease terms. Lease payments are either fixed or increasing annually to reflect market rentals. Rental expenses for the year ended December 31, 2017 amounted to SAR 5.4 million (2016: SAR 2.9 million).

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Within one year	244	244	244
After one year but not more than five years	975	975	975
More than five years	2,813	3,057	3,300
	4,032	4,276	4,519

32. DIVIDEND

The shareholders in their meeting held on April 18, 2017 approved dividends amounting to SR 329.1 million (SR 0.75 per share) for the year ended December 31, 2016, which have been fully paid in April 2017 (2016: SR 219.4 million - 0.50 per share declared in March and paid in June 2016).

The Board of Directors has recommended a final cash dividend of SAR 1.00 per share amounting to Saudi Riyals 438.8 million for the year ended December 31, 2017, subject to the Group's shareholders' approval in the next Annual General Meeting to be held in 2018.

33. COMMITMENTS AND CONTINGENCIES

The Group has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 7.4 million as at December 31, 2017 (December 31, 2016: Saudi Riyals 26.4 million and January 1, 2016: Saudi Riyals 30.4 million).

The capital expenditure contracted by the Group but not yet incurred till December 31, 2017 was approximately Saudi Riyals 8.9 million (December 31, 2016: Saudi Riyals 64.1 million and January 1, 2016: Saudi Riyals 193.6 million).

34. SUBSEQUENT EVENTS

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

35. COMPARATIVE FIGURES

Certain reclassifications were made to the 2016 figures to conform to the current year's presentation.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors of the Group on March 1, 2018 G.