

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**  
FOR THE THREE MONTHS PERIOD ENDED  
MARCH 31, 2018

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW  
OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

To the shareholders of  
Sahara Petrochemicals Company  
(a Saudi joint stock company)  
Al-Jubail, Kingdom of Saudi Arabia

**Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements of Sahara Petrochemicals Company ("the Company") (a Saudi joint stock company) and its subsidiary (collectively referred to as 'the Group') which comprises of consolidated interim statement of financial position as of March 31, 2018, the related consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the three months period then ended and summary of significant accounting policies and selected notes from (1) to (17).

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the three months period ended March 31, 2018 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

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



Sha'ban 07, 1439 (H)  
April 23, 2018 (G)

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

	<u>Note</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u> (Audited)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment	8	125,340	126,567
Intangible assets		21,191	20,528
Investments in joint ventures and associates	9	3,855,415	3,707,790
Long-term investments	10	237,948	242,384
Other non-current assets		412,031	417,874
<b>Total Non-Current Assets</b>		<b>4,651,925</b>	<b>4,515,143</b>
<b>Current Assets</b>			
Prepayments and other current assets		49,291	59,314
Murabaha deposits		960,000	775,000
Cash and cash equivalents		374,063	513,913
<b>Total Current Assets</b>		<b>1,383,354</b>	<b>1,348,227</b>
<b>Total Assets</b>		<b>6,035,279</b>	<b>5,863,370</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,387,950	4,387,950
Statutory reserve		285,158	285,158
Other components of equity		(11,246)	(7,341)
Retained earnings		833,244	692,998
<b>Total Equity</b>		<b>5,495,106</b>	<b>5,358,765</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	11	291,667	291,667
Employees' end of service benefits		102,238	99,757
Derivative financial instruments		2,735	2,853
<b>Total Non-Current Liabilities</b>		<b>396,640</b>	<b>394,277</b>
<b>Current Liabilities</b>			
Current portion of long-term borrowings	11	38,889	38,889
Trade payables		12,209	3,400
Accrued expenses and other current liabilities		52,277	34,422
Provision for zakat		40,158	33,617
<b>Total Current Liabilities</b>		<b>143,533</b>	<b>110,328</b>
<b>Total Liabilities</b>		<b>540,173</b>	<b>504,605</b>
<b>Total Equity and Liabilities</b>		<b>6,035,279</b>	<b>5,863,370</b>

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

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

**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

	Note	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Share of profit from joint ventures and associates		146,119	103,212
Financial income		9,972	8,763
General and administrative expenses, net	12	(8,302)	(7,206)
Others		27	15
<b>Operating profit before interest and Zakat</b>		<b>147,816</b>	<b>104,784</b>
Finance cost		(820)	(832)
<b>Profit before Zakat</b>		<b>146,996</b>	<b>103,952</b>
Zakat charge		(6,750)	(8,000)
<b>Net profit for the period</b>		<b>140,246</b>	<b>95,952</b>
<b>Other Comprehensive income</b>			
<b>Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:</b>			
Changes in fair value of financial assets at fair value through other comprehensive income		(5,017)	14,657
Change in fair value of derivative financial instruments designated as hedge		118	(337)
Share of other comprehensive income / (loss) of joint ventures and associates		994	(909)
<b>Total Other comprehensive (loss) / income for the period</b>		<b>(3,905)</b>	<b>13,411</b>
<b>Total comprehensive income for the period</b>		<b>136,341</b>	<b>109,363</b>
<b>Earnings per share:</b>			
Basic and diluted (Saudi Arabian Riyal)		0.32	0.22

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

	Share capital	Statutory reserve	Cash flow hedge reserve	Available for sale investment reserve	Actuarial gain or loss reserve	Retained earnings	Total
Balance as at January 1, 2017	4,387,950	240,705	(6,873)	8,542	-	622,021	5,252,345
Profit for the period	-	-	-	-	-	95,952	95,952
Other comprehensive (loss) / income for the period	-	-	(1,246)	14,657	-	-	13,411
Total comprehensive (loss) / income for the year	-	-	(1,246)	14,657	-	95,952	109,363
<b>Balance as at March 31, 2017</b>	<b>4,387,950</b>	<b>240,705</b>	<b>(8,119)</b>	<b>23,199</b>	<b>-</b>	<b>717,973</b>	<b>5,361,708</b>
Balance as at January 1, 2018	4,387,950	285,158	(13,240)	2,620	3,279	692,998	5,358,765
Profit for the period	-	-	-	-	-	140,246	140,246
Other comprehensive income / (loss) for the period	-	-	1,112	(5,017)	-	-	(3,905)
Total comprehensive income / (loss) for the period	-	-	1,112	(5,017)	-	140,246	136,341
<b>Balance as at March 31, 2018</b>	<b>4,387,950</b>	<b>285,158</b>	<b>(12,128)</b>	<b>(2,397)</b>	<b>3,279</b>	<b>833,244</b>	<b>5,495,106</b>

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
<b>Cash flows from operating activities</b>		
Net profit before zakat for the period	146,996	103,952
<i>Adjustment to reconcile net profit to net cash provided by operating activities</i>		
Depreciation and amortization	2,465	2,447
Share of profit from joint ventures and associates	(146,119)	(103,212)
Finance cost	820	832
Provision for employees' end of service benefits	3,553	3,356
Unwinding of long term advances to a joint venture	(512)	-
Loss on write off of property and equipment	630	-
<b>Changes in operating assets and liabilities</b>		
Prepayments and other current assets	10,023	(1,383)
Trade payables	8,809	15,146
Accrued expenses and other current liabilities	17,547	8,855
Employees' end of service benefits-paid	(1,072)	(523)
Zakat paid	(209)	-
<b>Net cash generated from operating activities</b>	<b>42,931</b>	<b>29,470</b>
<b>Cash flows from investing activities</b>		
Murabaha deposits	(185,000)	(155,000)
Long term investments	(581)	(37,721)
Additions to property and equipment	(2,374)	(45,059)
Additions to intangible assets	(3)	-
Deductions from employees long term advances	5,177	-
<b>Net cash used in investing activities</b>	<b>(182,781)</b>	<b>(237,780)</b>
<b>Net change in cash and cash equivalents</b>	<b>(139,850)</b>	<b>(208,310)</b>
Cash and cash equivalents at the beginning of the period	513,913	1,077,674
<b>Cash and cash equivalent at the end of the period</b>	<b>374,063</b>	<b>869,364</b>

The accompanying notes 1 through 17 form an integral part of these condensed consolidated financial statements.

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

**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'l 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 objective 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:

	<u>Effective interest %</u>
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:

	<u>Effective interest %</u>
Tasnee and Sahara Olefins Company ("TSOC")	32.55
Saudi Acrylic Acid Company ("SAAC")	43.16

**2. STATEMENT OF COMPLIANCE**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2017.

**3. BASIS OF MEASUREMENT**

These condensed consolidated interim 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 condensed consolidated interim 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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP**

• **IFRS 15 – ‘Revenue from Contracts with Customers’**

The IASB has issued a new standard for the recognition of revenue. This has replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered 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

The Group has adopted this standards with effect from January 01, 2018. There are no material impacts of adoption of the said IFRS on the Group’s condensed consolidated interim financial statements.

• **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.

The Group has complied with the requirements of IFRS 9 in preparation of the condensed consolidated interim financial statements. The impacts of adopting IFRS 9 on the Group are as follows:

- **Classification and measurement:** IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group concluded that the classification and measurement basis for its financial assets remains largely unchanged under this model.
- **Impairment:** Based on the Group’s assessment, the introduction of the “expected credit loss” model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Group’s results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.
- **Hedge accounting:** The adoption of the new standard would not change the amounts recognized in relation to existing hedging arrangements as the Group has taken the accounting policy choice, permitted under the IFRS 9 transition requirements, to continue to account for all hedges under IAS 39 Financial Instruments: Recognition and Measurement.

**6. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

• **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 condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

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**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.

• **Annual Improvements to IFRSs 2015–2017 Cycle**

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. - If a party maintains (or obtains) joint control, then the previously held interest is not premeasured. - If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party premeasured the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

IFRIC 23 Uncertainty over Income Tax Treatments - seeks to bring clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether it's probable that the tax authority will accept the Group's chosen tax treatment.

• **Other Amendments**

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Group's condensed consolidated interim financial statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

**7. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies and method of computation adopted for the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of the Group's annual audited consolidated financial statements for the year ended December 31, 2017 except the following policies which are being adopted due to implementation of new standards effective from January 01, 2018.

**a) Financial assets**

The Group determines the classification of its financial assets at initial recognition. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

**i. Classification**

The financial assets are classified in the following measurement categories:

- a) Those to be measured subsequently at fair value through profit or loss,
- b) Those to be measured subsequently at fair value through other comprehensive income, and
- c) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit and loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

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**ii. Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred.

**iii. Impairment of financial assets**

The Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., advances to affiliates, Murabha deposits and certain long-term investments.

Expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Group expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statement of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

The Group uses historical loss experience and derived loss rates based on the past twelve months and adjust the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

**iv. De-recognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

**b) Financial liabilities**

The Group determines the classification of its financial liabilities at initial recognition.

**i. Classification**

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss, and
- b) Those to be measured at amortized cost

**ii. Measurement**

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**

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The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

The Group's financial liabilities include other payables and borrowings. The Group measures financial liabilities (except derivatives) at amortized cost.

**iii. Derecognition of financial liabilities**

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

**c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**d) Interest income**

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original EIR.

**SAHARA PETROCHEMICALS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018**  
Expressed in Saudi Arabian Riyals in thousands unless otherwise stated

**8. PROPERTY AND EQUIPMENT**

Property and equipment as at March 31, 2018 and December 31, 2017, comprise of the following:

	<b>Buildings and leasehold land improvements</b>	<b>Furniture, fixtures and office equipment</b>	<b>Vehicles</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Cost:</b>					
At January 1, 2018	123,039	37,107	1,950	15,928	178,024
Additions	-	-	-	2,374	2,374
Transfers in / (out)	-	1,324	-	(1,324)	-
Transferred to intangible assets	-	-	-	(1,167)	(1,167)
Written-off	-	-	-	(630)	(630)
Disposals	-	-	(221)	-	(221)
<b>At March 31, 2018</b>	<b>123,039</b>	<b>38,431</b>	<b>1,729</b>	<b>15,181</b>	<b>178,380</b>
<b>Accumulated Depreciation:</b>					
At January 1, 2018	(21,339)	(28,461)	(1,657)	-	(51,457)
Charge for the period	(943)	(795)	(66)	-	(1,804)
Disposals	-	-	221	-	221
<b>At March 31, 2018</b>	<b>(22,282)</b>	<b>(29,256)</b>	<b>(1,502)</b>	<b>-</b>	<b>(53,040)</b>
<b>Net Book Value:</b>					
<b>As at March 31, 2018</b>	<b>100,757</b>	<b>9,175</b>	<b>227</b>	<b>15,181</b>	<b>125,340</b>
<b>As at December 31, 2017</b>	<b>101,700</b>	<b>8,646</b>	<b>293</b>	<b>15,928</b>	<b>126,567</b>

- 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"). The lease term is for an initial period of 30 years commenced in 2006 and is renewable by mutual agreement of the parties.

**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

	<b>Note</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Investment in Joint Ventures (JVs)	9.1	1,806,292	1,723,999
Investment in associates	9.2	2,049,123	1,983,791
		<b>3,855,415</b>	<b>3,707,790</b>
<b>9.1 Investment in JVs</b>			
	<b>Note</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Investment in JVs:</b>			
Al Waha Petrochemicals Company	9.1.1	1,750,727	1,668,946
Sahara & Ma'aden Petrochemicals Company	9.1.2	-	-
		<b>1,750,727</b>	<b>1,668,946</b>
<b>Advances to JVs:</b>			
Sahara & Ma'aden Petrochemicals Company	9.1.3	55,565	55,053
		<b>1,806,292</b>	<b>1,723,999</b>

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**9.1.1 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 condensed consolidated interim financial statements.

**Summarized statement of profit or loss of Al Waha:**

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
Revenue	678,498	422,881
Depreciation and amortisation	56,286	53,578
Finance cost	23,751	23,068
Interest Income	1,997	732
Zakat and income tax	5,500	-
Profit before zakat and income tax	112,382	41,984
Profit after zakat and income tax	106,882	41,984
Other comprehensive income / (loss)	1,326	(1,211)
Total comprehensive income	108,208	40,773

**9.1.2 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 condensed consolidated interim financial statements.

**Summarized statement of profit or loss of SAMAPCO:**

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
Revenue	188,559	149,021
Depreciation and amortisation	30,544	28,864
Finance cost	19,914	15,712
Financial income	283	34
Profit / (loss) before zakat	3,565	(16,143)
Profit / (loss) after zakat	3,565	(16,143)
Total comprehensive income / (loss)	3,565	(16,143)

**9.1.3 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.

**9.2 Investment in associates**

	<b>Note</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Investment in associates:</b>			
Tasnee & Sahara Olefins Company	9.2.1	1,805,300	1,734,602
Saudi Acrylic Acid Company	9.2.2	194,618	199,984
		<b>1,999,918</b>	<b>1,934,586</b>
<b>Advances to associates:</b>			
Saudi Acrylic Acid Company	9.2.3	49,205	49,205
		<b>2,049,123</b>	<b>1,983,791</b>

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**9.2.1 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 condensed consolidated interim financial statements.

**Summarized statement of profit or loss of TSOC:**

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
Revenue	172,726	212,701
Finance cost	13,750	11,939
Zakat	3,855	2,734
Profit before zakat	212,518	201,349
Profit after zakat	208,663	198,615
Total comprehensive income	208,663	198,615

**9.2.2 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 condensed consolidated interim financial statements.

**Summarized statement of profit or loss of SAAC:**

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
Revenue	172,726	212,701
Finance cost	13,750	11,939
Zakat and income tax	1,355	-
(Loss) / profit before zakat	(23,037)	2,762
(Loss) / profit after zakat	(24,392)	2,762
Total comprehensive (loss) / income	(24,392)	2,762

**9.2.3 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.

**10. LONG-TERM INVESTMENTS**

	<b>Note</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
At fair value through other comprehensive income ("FVOCI")	10.1, 10.2	185,695	200,384
At amortized cost	10.3	52,253	42,000
		<b>237,948</b>	<b>242,384</b>

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**10.1 Financial assets at FVOCI**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Listed securities</b>		
Riyad REIT Fund	67,650	72,975
<b>Unlisted securities</b>		
Mutual fund units	118,045	127,409
	<b>185,695</b>	<b>200,384</b>

10.2 The table below analyses the financial assets by the level in the fair value hierarchy:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Financial assets through FVOCI - Level 1	<b>67,650</b>	72,975
Financial assets through FVOCI - Level 2	<b>118,045</b>	127,409
	<b>185,695</b>	<b>200,384</b>

Valuation technique used for the valuation of level 2 investments is based on the fair valuation provided by the financial institutions. The carrying value of the other financial assets and financial liabilities of the Group approximate their fair value.

**10.3 Financial assets at amortized cost**

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

**11. LONG TERM BORROWINGS**

	<b>Note</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>			
Loan from a commercial bank		38,889	38,889
<b>Non-current</b>			
Loan from a commercial bank		291,667	291,667
<b>Total borrowings</b>	11.2	<b>330,556</b>	<b>330,556</b>

11.1 During 2013, the Group signed a loan agreement of Saudi Riyals 500 million with a commercial bank to finance the employees 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 2017, 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.

**11.1 Maturity profile of long term borrowings:**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
2018	38,889	38,889
2019	38,889	38,889
2020	38,889	38,889
2021	38,889	38,889
2022	38,889	38,889
2023	38,889	38,889
Thereafter	97,222	97,222
<b>Total</b>	<b>330,556</b>	<b>330,556</b>



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**12. GENERAL AND ADMINISTRATIVE EXPENSES**

	Note	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Salaries, wages and benefits		42,347	38,738
Maintenance		8,051	6,978
Depreciation and amortization		2,465	2,448
Computer-related		783	2,310
Rent		711	496
Professional services		2,758	312
Board of Directors fees and expenses	13	145	67
Donations		426	544
Others		5,157	3,877
		<b>62,843</b>	<b>55,770</b>
Shared service expenses charged to Al Waha	12.1 & 13	(31,541)	(27,882)
Shared service expenses charged to SAMAPCO	12.1 & 13	(23,000)	(20,682)
		<b>8,302</b>	<b>7,206</b>

12.1 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.

**13. 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:

- 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.
- The Group has provided long term advance to SAAC which carries commission, and is subordinated to certain term loans obtained from commercial banks.
- The Group has provided interest-free long term advance to SAMAPCO which is subordinated to certain term loans obtained from commercial banks.
- The Group charges interest to SAAC in relation to the subordinated loan mentioned in (b).
- The Group has a service level agreement with Al Waha and SAMAPCO to manage the house ownership project for their employees.
- 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 three months period ended March 31, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

During the three months period ended March 31, the Group had the following significant transactions with its related parties:

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<b>Related party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
Al Waha Petrochemical Company	Joint venture	Shared services cost charged to Al Waha	31,541	27,882
		Cost and expenses charged by Al Waha	178	200
		Allocation of HOP finance cost to Al Waha	2,306	-
Sahara and Ma'aden Petrochemical Company	Joint venture	Shared service cost charged to SAMAPCO	23,000	20,682
		Interest income	512	-
		Allocation of HOP finance cost to SAMAPCO	1,900	-
Saudi Acrylic Acid Company	Associate	Interest income	710	857
Board of Directors	Key management Personnel	Board of Directors fees and expenses	145	67

**14. 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 9 where this summarized financial performance information has been disclosed in these condensed consolidated interim financial statements.

**15. DIVIDEND**

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 which was also approved by the Group's shareholders' in their Annual General Meeting held on April 19, 2018.

**16. COMMITMENTS AND CONTINGENCIES**

The Group has a contingent liability for bank guarantees issued in the normal course of the business amounting Saudi Riyals 0.1 million as at March 31, 2018 (December 31, 2017: Saudi Riyals 7.4 million).

The capital expenditure contracted by the Group but not yet incurred till March 31, 2018 was approximately Saudi Riyals 2.9 million (December 31, 2017: Saudi Riyals 8.9 million).

**17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements have been approved by the board of directors of the Group on April 23, 2018 G.