SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 AND
INDEPENDENT AUDITORS' REPORT

CHEMISTRY THAT MATTERS™

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Key audit matter
First time Adoption of International Financial Reporting Standard (IFRS)   As a result of the regulatory requirement in the Kingdom of Saudi Arabia, effective 1 January 2017, the Group is required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").

Group's first time adoption of IFRS	***How our audit addressed the key audit matter***
For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA (referred to as "SOCPA GAAP"). The consolidated financial statements for the year ended 31 December 2017 are the Group's first financial statements prepared in accordance with IFRS as endorsed in KSA. The Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the year beginning 1 January 2017, as well as for presenting the relevant comparative period data. In compliance with the requirements of IFRS 1 as endorsed in KSA, the Group's opening statement of consolidated financial position was prepared as at 1 January 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has assessed the impact and significant adjustments are made on transitioning from SOCPA GAAP to IFRS as endorsed in KSA in the Group consolidated financial statements as at 1 January 2016 and 31 December 2016. We considered this as a key audit matter since the first time adoption of IFRS has significant impact on the consolidated financial statements from the recognition, measurement and disclosure perspective. Refer to notes 2.1 and 6 to the consolidated financial statements for the compliance statement and details of transition and reconciliation adjustments between SOCPA GAAP and IFRS as endorsed in KSA.	We performed the following procedures in respect of the transition to IFRS as endorsed in KSA: • Assessed the appropriateness of the implementation of IFRS as endorsed in KSA in accordance with the provisions of IFRS 1 as endorsed in KSA; • Assessed the appropriateness of the accounting policies adopted; • Evaluated the GAAP differences identified by the Group's management; • Tested a sample of adjustments (including calculation and recording) made to various balances and transactions to bring them in line with IFRS as endorsed in KSA; • Assessed the appropriateness of disclosures made in relation to transition impact from SOCPA GAAP to IFRS as endorsed in KSA; and • Assessed the appropriateness of exceptions to retrospective application of other IFRSs as endorsed in KSA and optional exemptions availed by the Group from full retrospective application of certain IFRSs as endorsed in KSA, in preparing the consolidated financial statements.

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Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Key audit matter	
Impairment of non-current finanical assets The carrying values of the property, plant and equipment and goodwill are reviewed annually by management for potential indicators of impairment. For such assets where impairment indicators exist, management performs detailed impairment reviews, taking into account, inter alia, the impact of revenue assumptions, technical factors, usage and economic condition which may affect the expected remaining useful lives and carrying value of the assets. Management assesses the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the property, plant and equipment and goodwill relates, to determine if an impairment is required or not. Management need to apply considerable judgement in allocating the goodwill to the appropriate business as well as in assessing the future performance and prospects of each CGU and the discount rates to apply.	
a. Assessing potential write-down and impairment of property, plant and equipment	***How our audit addressed the key audit matter***
As at 31 December 2017 the Group's statement of financial position includes property, plant and equipment amounting to SR 167 billion. The assessment of the recoverable value of these assets, incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating/capital costs and economic assumptions such as discount rates. Write down and impairment charges recorded during the year amounted to SR 1.6 billion. We identified the potential write-down and impairment of property, plant and equipment as a key audit matter as the assessment involves a significant degree of management judgement in determining the key assumptions such as expected revenue levels and technical factors. Refer to consolidated financial statements note 5 for the significant accounting policy relating to impairment of non-financial assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 7 for property, plant and equipment related disclosures.	We performed the following procedures, among others: • Evaluating the management's assumptions and estimates to determine the recoverable value of its property, plant and equipment, including those relating to production, cost, capital expenditure and discount rates. This included using our internal specialists to compare these assumptions against external benchmarks and evaluating management's assumptions based on our knowledge of the Group and its industry; • Validating the mathematical accuracy of cash flow models and agreeing relevant data to the latest production plans and approved budgets; and • Assessing the adequacy of the Group's disclosures in respect of asset carrying values and impairment losses.

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Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Key audit matter	
b. *Impairment assessment of Goodwill*	**How our audit addressed the key audit matter**
As of 31 December 2017, the Group's goodwill balance was SR 9.3 billion. Based on the annual goodwill impairment assessment, including sensitivity tests, the management concluded that no impairment of goodwill was required. We have considered this to be a key audit matter in light of the amount of judgment involved and estimation required to assess the recoverable amount of CGU. Refer to consolidated financial statements note 5 for the significant accounting policy relating to impairment of non-financial assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 8 for intangible assets related disclosures.	We performed the following procedures in respect of the impairment assessment of goodwill: • Evaluated the methodology used by management to estimate the recoverable amount of each CGU; • Evaluated the assumptions and methodologies used in the annual impairment test prepared by the management; • Evaluated management's critical assumptions in particular, the projected revenue growth, margin developments, discount rates and terminal growth rates. This included using our internal specialists in assessing management's assumptions based on our knowledge of the Group and its industry; and • Performed an assessment of the mathematical accuracy of the calculations and a reconciliation to the underlying plan as approved by the management. • We also focused on the adequacy of the Group's disclosures in the consolidated financial statement concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2017 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above 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.

When we read the Group's 2017 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and SABIC's By-law, 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 has 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 International Standards on Auditing that are 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 Group'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.

Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

- 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 group 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.

for Ernst & Young

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366
Riyadh: 23 Jumada al Akhir 1439H
11 March 2018

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
			(note 6)	*(note 6)*
Assets				
Non-current assets				
Property, plant and equipment	*7*	**167,355,911**	170,349,982	174,126,928
Intangible assets	*8*	**13,542,397**	12,925,908	13,080,076
Investment in associates and joint ventures	*9.1*	**14,304,140**	12,940,324	12,718,288
Held-to-maturity investments	*9.2*	**3,055,161**	3,476,590	3,680,347
Available-for-sale financial assets	*9.3*	**696,243**	693,398	740,701
Deferred tax assets	*29.2*	**1,518,599**	1,522,837	690,338
Other non-current assets	*10*	**4,219,500**	4,319,754	4,736,248
Total non-current assets		204,691,951	206,228,793	209,772,926
Current assets				
Inventories	*12*	**26,062,995**	22,601,498	23,727,064
Trade receivables	*13*	**22,609,432**	19,853,239	19,458,460
Prepayments and other current assets	*14*	**5,701,316**	4,818,029	4,323,525
Short-term investments	*15*	**4,351,072**	20,105,377	29,608,481
Cash and bank balances	*16*	**59,038,656**	40,247,740	38,153,091
Total current assets		117,763,471	107,625,883	115,270,621
Total assets		322,455,422	313,854,676	325,043,547

The notes on page 11 to 128 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
			(note 6)	*(note 6)*
Equity and liabilities				
Equity				
Share capital	*17*	**30,000,000**	30,000,000	30,000,000
Statutory reserve	*18*	**15,000,000**	15,000,000	15,000,000
General reserve	*18*	**110,889,032**	110,889,032	110,889,032
Other reserves	*18*	**(2,249,663)**	(5,307,983)	(3,932,842)
Retained earnings		**10,282,264**	6,953,960	4,340,351
Equity attributable to equity holders of the Parent		**163,921,633**	157,535,009	156,296,541
Non-controlling interests	*19*	**46,216,859**	44,544,030	45,846,407
Total equity		**210,138,492**	202,079,039	202,142,948
Non-current liabilities				
Long-term debt	*20*	**41,624,732**	49,897,787	60,139,088
Employee benefits	*21*	**17,635,036**	16,384,051	16,102,964
Deferred tax liabilities	*29.2*	**2,597,059**	2,703,436	2,147,273
Other non-current liabilities		**2,160,697**	1,410,068	1,713,834
Total non-current liabilities		**64,017,524**	70,395,342	80,103,159
Current liabilities				
Current portion of long-term debt	*20*	**15,373,456**	13,211,962	13,303,100
Short-term borrowings	*20*	**1,065,000**	-	428,201
Trade payables	*22*	**18,061,464**	16,368,834	16,515,186
Accruals and other current liabilities	*23*	**9,820,367**	8,663,803	10,186,061
Zakat and income tax payable	*29*	**3,979,119**	3,135,696	2,364,892
Total current liabilities		**48,299,406**	41,380,295	42,797,440
Total liabilities		**112,316,930**	111,775,637	122,900,599
Total equity and liabilities		**322,455,422**	313,854,676	325,043,547

CONSOLIDATED STATEMENT OF INCOME
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016 (note 6)
Sales	25	149,765,968	142,998,827
Cost of sales	26.1	(99,785,144)	(95,759,137)
Gross profit		49,980,824	47,239,690
General and administrative expenses	26.2	(10,642,900)	(11,215,841)
Selling and distribution expenses	26.3	(10,339,537)	(10,153,752)
Income from operations		28,998,387	25,870,097
Share of results of associates and joint ventures	9.1	1,419,680	875,935
Finance income		1,247,057	1,647,272
Finance cost	27	(2,329,716)	(1,966,456)
		(1,082,659)	(319,184)
Other income, net	28	289,337	823,895
Income before zakat and income tax		29,624,745	27,250,743
Zakat expense	29.1	(2,600,000)	(3,000,000)
Income tax expense	29.2	(1,540,000)	(872,810)
Net income for the year		25,484,745	23,377,933
Attributable to:			
Equity holders of the Parent		18,430,236	17,613,609
Non-controlling interests		7,054,509	5,764,324
		25,484,745	23,377,933
Earnings per share (Saudi Riyals)			
Earnings per share from income from operations	30	9.67	8.62
Earnings per share from net income attributable to equity holders of the Parent	30	6.14	5.87

The notes on page 11 to 128 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
			(note 6)
Net income for the year		25,484,745	23,377,933
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income (net of tax):			
- Re-measurement gain/(loss) on defined benefit plans	*21*	213,233	(53,717)
Items that will be reclassified to the consolidated statement of income (net of tax):			
- Exchange difference on translation of foreign operations		3,021,606	(935,249)
- Share of other comprehensive income of associates and joint ventures		(184,923)	(229,600)
- Net change on revaluation of available-for-sale financial assets	*9.4*	(10,023)	(10,108)
		2,826,660	(1,174,957)
Movement of other comprehensive income		3,039,893	(1,228,674)
Total comprehensive income for the year		28,524,638	22,149,259
Attributable to:			
Equity holders of the Parent		21,488,556	16,238,468
Non-controlling interests		7,036,082	5,910,791
		28,524,638	22,149,259

The notes on page 11 to 128 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
				(note 18)				*(note 6)*
Balance as at 1 January 2016	30,000,000	15,000,000	110,889,032	(3,932,842)	4,340,351	156,296,541	45,846,407	202,142,948
Net income for the year	-	-	-	-	17,613,609	17,613,609	5,764,324	23,377,933
Other comprehensive income for the year	-	-	-	(1,375,141)	-	(1,375,141)	146,467	(1,228,674)
Total comprehensive income for the year	-	-	-	(1,375,141)	17,613,609	16,238,468	5,910,791	22,149,259
Dividends	-	-	-	-	(15,000,000)	(15,000,000)	(7,213,168)	(22,213,168)
Balance as at 31 December 2016	30,000,000	15,000,000	110,889,032	(5,307,983)	6,953,960	157,535,009	44,544,030	202,079,039

The notes on page 11 to 128 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves *(note 18)*	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2017	30,000,000	15,000,000	110,889,032	(5,307,983)	6,953,960	157,535,009	44,544,030	202,079,039
Net income for the year	-	-	-	-	18,430,236	18,430,236	7,054,509	25,484,745
Other comprehensive income for the year	-	-	-	3,058,320	-	3,058,320	(18,427)	3,039,893
Total comprehensive income for the year	-	-	-	3,058,320	18,430,236	21,488,556	7,036,082	28,524,638
Dividends (note 37)	-	-	-	-	(12,000,000)	(12,000,000)	(5,390,185)	(17,390,185)
Acquisition of non-controlling interests (note 19.1)	-	-	-	-	(739,795)	(739,795)	(2,335,205)	(3,075,000)
Absorption of loss on behalf of non-controlling interests (note 19.2)	-	-	-	-	(2,362,137)	(2,362,137)	2,362,137	-
Balance as at 31 December 2017	30,000,000	15,000,000	110,889,032	(2,249,663)	10,282,264	163,921,633	46,216,859	210,138,492

CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
			(Note 6)
Operating activities:			
Income before zakat and income tax		29,624,745	27,250,743
Adjustment to reconcile income before zakat and tax to net cash inflow from operating activities:			
- Depreciation of property, plant and equipment	*7*	13,928,217	13,863,879
- Impairment and write down of plant and equipment	*7*	1,563,603	2,189,866
- Amortisation and write down of intangible assets	*8*	919,153	837,247
- Provision for slow moving and obsolete inventories	*12*	276,248	339,305
- Provision for doubtful debts, net of reversals	*13*	116,656	46,936
- Share of results of associates and joint ventures	*9*	(1,419,680)	(875,935)
- Fair value adjustment to derivatives, net		3,728	(132,841)
- Loss on sale of property, plant and equipment, net	*28*	88,512	47,228
- Finance costs	*27*	2,329,716	1,966,456
Changes in operating assets and liabilities:			
(Increase) decrease in other non-current assets		(80,491)	1,002,086
(Increase) decrease in inventories		(3,737,745)	786,261
Increase in trade receivables		(2,872,849)	(441,715)
Increase in prepayments and other current assets		(1,049,311)	(437,417)
Increase (decrease) in other non-current liabilities		766,393	(269,165)
Increase (decrease) in trade payables		1,692,630	(146,352)
Increase (decrease) in employee benefits		878,512	(309,976)
Increase (decrease) in accruals and other current liabilities		610,247	(904,262)
Cash from operations		43,638,284	44,812,344
Finance cost paid		(1,738,073)	(1,406,969)
Zakat and income tax paid	*29*	(3,222,906)	(3,378,342)
Net cash from operating activities		38,677,305	40,027,033

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
			(Note 6)
Investing activities:			
Purchase of property, plant and equipment	*7*	(11,097,382)	(14,588,913)
Proceeds from short-term investments, net		15,754,305	9,503,104
Purchase of held-to-maturity investments		(100,000)	(100,000)
Proceeds on the maturity of held-to-maturity investments		521,420	303,757
Purchase of intangible assets	*8*	(373,722)	(936,637)
Proceeds from sale of property, plant and equipment		53,398	320,907
Purchase of available-for-sale financial assets		(24,169)	-
Proceeds from sale of available-for-sale financial assets		27,368	37,195
Investment in associates and joint ventures	*9.1*	(352,995)	(234,632)
Distributions received from associates and joint ventures		364,106	658,931
Net cash from (used in) investing activities		4,772,329	(5,036,288)
Financing activities:			
Proceeds from debt		3,285,845	3,692,289
Debt repayments		(8,898,286)	(14,184,744)
Finance lease payments		(53,676)	(129,765)
Dividends paid to shareholders		(11,592,416)	(14,913,757)
Dividends paid to non-controlling interests		(5,390,185)	(7,213,168)
Acquisition of non-controlling interests	*19.1*	(3,075,000)	-
Net cash used in financing activities	*16.1*	(25,723,718)	(32,749,145)
Net increase in cash and cash equivalents		17,725,916	2,241,600
Cash and cash equivalents at the beginning of the year	*16.1*	40,247,740	38,006,140
Cash and cash equivalents at the end of the year	*16.1*	57,973,656	40,247,740

The notes on page 11 to 128 form an integral part of these consolidated financial statements.

1. Corporate information

Saudi Basic Industries Corporation ("SABIC" or "the Parent") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia ("KSA") and 30% by the private sector.

SABIC and its subsidiaries (collectively the "Group") are engaged in the manufacturing, marketing and distribution of chemicals, polymers, plastics, agri-nutrients and metal products in global markets.

The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 11 March 2018.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA")

These consolidated financial statements are the Group's first annual consolidated financial statements prepared in accordance with IFRS as endorsed in KSA and, accordingly, IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA has been applied. Refer to Note 6 for further information.

2.2 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments and Available-For-Sale ("AFS") financial assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 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 of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Basis of preparation (continued)

2.3 Fair value measurement (continued)

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 these consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- 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 on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation at the end of each reporting period.

Fair value measurement for unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, are evaluated on a periodic basis.

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.

2.4 Functional, presentation currency and foreign currency translation

The consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Parent.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in Other Comprehensive Income ("OCI") until the net investment is disposed, at which time, the cumulative amount is reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

2. Basis of preparation (continued)

2.4 Functional, presentation currency and foreign currency translation (continued)

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyal at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the transactions dates. The exchange differences arising on translation for consolidation are recognised in consolidated statement of comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

3. Significant accounting estimates, assumptions and judgements

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

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:
- Capital management, financial instrument risk management and policies (Note 35)
- Sensitivity analyses disclosures (Notes 21 and 35)

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Impairment of non-financial assets

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

3. Significant accounting estimates, assumptions and judgements (continued)

3.1 Estimates and assumptions (continued)

3.1.2 Provisions

By their nature, the measurement of provisions depend upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

3.1.3 Long-term assumptions for employee benefits

Post-employment defined benefits plans, end-of-service benefits plans, indemnity payments and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Periodically, management consults external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs.

Defined benefit obligations within the Group are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgement is required when setting the criteria for bonds to be included in the population form which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded; if any.

3.1.4 Accounting for deferred tax

As part of the process of preparing consolidated financial statements, management of the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

Management assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it probable that the taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.5 Decommissioning liability

The Group assess the provision for decommissioning costs of manufacturing facilities when an obligation exists. This involves using estimated cash flows, which are discounted at a current pre-zakat/tax rate that reflects the risks specific to the decommissioning liability. The estimated future cost of decommissioning is reviewed annually and adjusted as appropriate.

3. Significant accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying accounting standards

In addition to the application of the judgement in the above-mentioned estimates and assumptions, the following critical judgements have the most significant effect on the amounts recognised in the consolidated financial statements:

3.2.1 Component parts of plant and equipment

The Group's plant and equipment are broken down into significant components and depreciated on a straight-line basis over their economic useful lives. Judgement is required in ascertaining the significant components of a larger asset in defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset.

3.2.2 Determination of control, joint control and significant influence

3.2.2.1 Management's judgement in assessing control over consolidated subsidiaries

Subsidiaries are all investees over which the Group has control. The Group management considers that it controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return. The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

Management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in the industrial cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Based on above considerations, management of the Group believes:

- There is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and
- The Group has created an environment in which the set-up and function of these investees and their inter-relationship with the Group leads towards a judgement of 'control'.

Hence, the Group has consolidated those investees, which meet the above criteria as part of the Group's consolidated financial statements.

3. Significant accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying accounting standards (continued)

3.2.2 Determination of control, joint control and significant influence (continued)

3.2.2.2 Management's judgement in assessing joint control and significant influence over investees

A joint venture is a joint arrangement whereby the Group and other shareholder(s) have joint control of the arrangement and have rights to the net assets of the arrangement.

Based on a review of voting rights, contractual arrangements and other circumstances concerning the relevant activities of the investees, management has assessed certain of these arrangements to be under joint-control.

For other companies, judgement is required, particularly where the Group owns shareholding and voting rights of generally 15% and above but where management does not believe that it has 'control' or 'joint control' over such investees. In case of such investees, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRS that are endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRS as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process. By virtue of the Group's shareholding rights in the investees' general meetings, as well as the Group's representation on Board of Directors of such investees and the Group's involvement in operating and financial policies and decision makings, management believes it has 'significant influence' over such investees ('associates').

The Group is accounting for joint ventures and associates applying the equity method of accounting.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle;
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other relevant facts and circumstances

4. IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, up to the date of issuance of the Group's financial statements are elaborated below. These standards will be adopted by the Group when they become effective.

IFRS 9 - Financial Instruments

IFRS 9 – Financial Instruments ("IFRS 9") brings together three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The standard is effective from 1 January 2018. The Group will adopt the new standard on the effective date and will not restate comparative information.

During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and subject to changes arising from further reasonable and supportable information being made available to the Group in 2018.

Classification and measurement
Financial assets currently classified as AFS satisfy the conditions for classification as at Fair Value through Other Comprehensive Income ("FVOCI"). The other financial assets held by the Group include:

- Equity instruments currently classified as AFS which will be recognised as FVOCI;
- Equity investments currently measured at Fair Value through Income Statement ("FVIS") which will continue to be measured on the same basis under IFRS 9; and
- Debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9

The equity shares in non-listed companies are intended to be held for strategic purpose. No impairment losses were recognised in the consolidated statement of income during prior periods for these investments. The Group will apply the option to present fair value changes in Other Comprehensive Income ("OCI"). The positive impact on OCI amounts to SR 380 million before deferred tax.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. In extraordinary circumstances, provisional pricing arrangements might apply. For the far majority of these instruments, the final pricing is set within the same reporting month with insignificant variances; if any. Therefore, reclassification for these instruments is not required.

There will be no impact on the Group's accounting for financial liabilities, as IFRS 9 requirements only affect the accounting for financial liabilities that are designated at FVIS and the Group does not have such liabilities. The derecognition rules have been transferred from IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") and have not been changed.

Impairment
The new impairment model requires the recognition of impairment provisions based on Expected Credit Losses ("ECL") rather than only incurred credit losses, as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), lease receivables, loan commitments and certain financial guarantee contracts.

4. IFRS standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

Impairment (continued)
The Group will apply the simplified approach and will record lifetime expected losses on all of its trade receivables. The impact is considered to be insignificant.

Hedge accounting
The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relations might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current hedging relationships qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 – Revenue ("IAS 18") which covers revenue arising from the sale of goods and the rendering of services. The new IFRS establishes a five-step model to account for revenue arising from contracts with customers. Under this IFRS, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group will apply a modified retrospective approach for the adoption. The new standard is effective for first periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard on the effective date.

Sale of goods
For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 will not have a significant impact on the Group's revenue. Revenue recognition occurs at a point in time when control over the asset is transferred to the customer, generally on delivery of the goods. A minor exception are goods shipped for which a small portion of revenue qualifies as revenue for logistic services and will be recognised over time until delivery to the destination. The impact is considered immaterial for the Group.

In preparing to adopt IFRS 15, the Group is considering the following:

- Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from sale of goods measured at fair value of the consideration received or receivable, net of return and allowances, trade discounts and volume rebates. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter.

- IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The application of the constraint is considered not to have a material impact.

4. IFRS issued but not yet effective (continued)

IFRS 15 - Revenue from Contracts with Customers (continued)

Sale of goods (continued)

Rights of return
When a contract with a customer provides a right of return the good within a specified period, the Group currently accounts for the right of return when requested by the customer and contractual conditions are met. Considering the limited quantity and value of returned goods, the Group will not adjust current accounting policies.

Volume rebates
The Group provides retrospective volume rebates to its customers on products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Under its current accounting policy, the Group estimates the expected volume rebates using a prudent assessment of the expected amount of rebates, reviewed on a regular basis and updated, if deemed necessary. These amounts will subsequently be repaid in cash to the customer or are offset against amounts payable by the customer; if allowed by the contract.

Under IFRS 15, volume rebates give rise to variable consideration. The Group considers the "most likely amount" method to be the best estimate of this variable consideration, which will not lead to a change in current methodology to calculate the volume rebates liability.

Rendering of services
In certain instances, the Group provides logistic services for goods sold. This service is satisfied over the period of delivery. Consequently, the Group will defer revenue allocated to the logistic services and recognise it over that period. The impact is considered to be insignificant.

The other services provided are supporting customers with technical advises for product applications, but considering the value of these services, the Group will recognise these when the technical application advises are incurred, which is consistent with current accounting treatment.

IFRS 16 - Leases

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

- IAS 17 – Leases ("IAS 17")
- 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 are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 – Leases ("IFRS 16") will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases and low value assets.

In addition, under the new lease standard, 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group will adopt the new standard on the effective date. In 2017, the Group assessed its eligible contracts with leases or that contain a right of use asset. During 2018, the Group will continue its assessment and quantification of the impact of these contracts and arrangements.

4. IFRS issued but not yet effective (continued)

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

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

The IFRIC is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS. The Group will adopt the new standard on the effective date, and based on a detailed assessment, the impact on the Group's consolidated financial statements is immaterial.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 – Income Taxes ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable results, tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying this interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group will assess the need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

5. Summary of significant accounting polices

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently as follows:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group, as set out in Note 39, for the year ended 31 December 2017, except for the joint operations, that are proportionally consolidated in these consolidated financial statements.

Refer Note 3.2.2 for details on judgements applied by the Group in respect of control.

5. Summary of significant accounting polices (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Net income (loss) and each component of OCI are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at fair value on the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income. It is then considered in the determination of goodwill. If it leads not to a change in control, the acquisition ownership interest is recognised as an equity transaction. Consequently, the excess consideration paid over the carrying value of ownership interest is recognised in retained earnings, if applicable.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

5. Summary of significant accounting polices (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if applicable. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Investments in associate entities and joint arrangements

Investments in associate entities

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses for its joint operations.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Equity method of accounting is used for the investment in an associate or a joint venture. 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 results of the investee in the consolidated statement of income, and the Group's share of movements in OCI of the investee in consolidated statement of comprehensive income.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of an associate and a joint venture' in the consolidated statement of income.

5. Summary of significant accounting polices (continued)

Investments in associate entities and joint arrangements (continued)

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.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring accounting policies in line with those of the Group

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to the consolidated statement of income.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI, except for the items that will not be reclassified to the consolidated statement of comprehensive income, are reclassified to the consolidated statement of income where appropriate.

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is due to be settled within twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5. Summary of significant accounting polices (continued)

Zakat and tax

Zakat

Zakat is levied at the higher of adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA. The Group computes its zakat by using the zakat base, which makes this a levy not based on income subject to zakat. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

Corporate income tax

Corporate income tax expense represents the sum of current and deferred income taxes.

Non-Saudi based owners of the Groups' subsidiaries in KSA are subject to corporate income tax in KSA based on their share of the results, which is charged to the consolidated statement of income.

For subsidiaries outside KSA, provisions for tax are computed in accordance with tax regulations of the respective countries.

Current Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

The tax rates and tax laws used to compute the amount of corporate income taxes due are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised in other comprehensive income are recognised in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the Group's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable income or loss

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except for where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss.

5. Summary of significant accounting polices (continued)

Zakat and tax (continued)

Deferred tax (continued)
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part, of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax relating to items outside the consolidated statement of income is recognised outside the consolidated statement of income. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Withholding tax
Withholding tax related to dividends, royalties, interest and service fee payments are recorded as part of corporate income taxes.

Transaction tax
Revenues, expenses and assets are recognised net of the amount of transaction tax (including value added tax), except:

- When the transaction tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the transaction tax is recognised as part of the cost of the acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of transaction tax included.

The net amount of transaction tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in the consolidated statement of income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised in the consolidated statement of financial position as deferred income or as a reduction of the carrying value of the asset and released to the consolidated statement of income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at its fair value and released to the consolidated statement of income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

5. Summary of significant accounting polices (continued)

Property, plant and equipment

Owned assets

Construction in progress and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all other costs such as general and administrative expenses and training costs.

When parts of plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different from other parts and are required to be replaced at different intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround) is performed, its directly attributable cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately.

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

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

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

	Years
Buildings	13 to 40
Plant and equipment	4 to 50
Furniture, fixtures and vehicles	3 to 10

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income when the asset is derecognised.

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

5. Summary of significant accounting polices (continued)

Property, plant and equipment (continued)

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

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are classified as finance lease and are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance cost and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost are recognised in the consolidated statement of income.

A finance lease asset will be depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Capitalisation of borrowing costs
Borrowing costs consist of interest and other costs that the Group entity incurs due to borrowing of funds. General borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Capital spare parts
Capital spare parts are the interchangeable parts of plant and equipment, which are considered to be essential to support repair and overhaul of plant and equipment. These spares are capitalised when the capitalisation criteria are met and depreciated over their estimated useful life.

Intangible assets

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

5. Summary of significant accounting polices (continued)

Intangible assets (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at each financial period-end. Changes in the expected useful life, are accounted for by changing the amortisation period, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite life is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Development expenditure for in-house developed intangible assets is recognised as an intangible asset when the Group can segregate such expenditure distinct from the research costs, and can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Research costs related to in-house developed software and technology and innovation assets are expensed as incurred. Directly attributable costs that are capitalised as part of the intangible include employee costs and an appropriate portion of relevant direct overheads.

Development costs of internally generated intangibles that are directly attributable to the design and testing of identifiable products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible so that it will be available for use;
- Management intends to complete the intangible and use or sell it;
- There is an ability to use or sell the intangible;
- It can be demonstrated how the intangible will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible are available; and
- The expenditure attributable to the intangible during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset starts when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. Technology and innovation expenses are recorded in the consolidated statement of income under general and administrative expenses.

The amortisation periods for intangible assets with a finite useful life are as follows:

	Years
Software, IT development, licenses and others	3 to 15
(Un)patented technology	10
Customer lists	18
Trademarks	22

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 changed. In those cases, the change in useful life is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at CGU level.

5. Summary of significant accounting polices (continued)

Intangible assets (continued)

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

(Un)patented technology, customer lists, trademarks and licenses
Separately acquired trademarks and licenses are recognised at historical cost. Trademarks, licenses and customer lists acquired in a business combination are recognised at fair value at acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Impairment of non-financial assets

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

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

Impairment losses of operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Impairment for goodwill is determined by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

5. Summary of significant accounting polices (continued)

Impairment of non-financial assets (continued)

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Financial assets

Initial recognition and measurement
Financial assets are classified as:

- Loans and receivables (including trade receivables, short-term investments and cash and cash equivalents);
- Held-to-maturity investments;
- AFS financial assets.

All financial assets are initially recognised at fair value.

Subsequent measurement

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortised cost using the EIR method, less impairment, if any. 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. The EIR amortisation is included in finance income in the consolidated statement of income.

The losses arising from impairment are recognised in the consolidated statement of income.

Receivables
Trade and other receivables are stated at amortised cost, which generally correspond to nominal value. An provision for doubtful debts is made based upon Group's best estimate of incurred credit losses related to those receivables.

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

5. Summary of significant accounting polices (continued)

Financial assets (continued)

Subsequent measurement (continued)

Short-term investments
Short-term investments represents the deposits with original maturities of more than three months but less than twelve months.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR method, less impairment. 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. The EIR amortisation is included as finance income in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

AFS financial assets
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVIS. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value (except for those un-quoted equity instrument for which cost exemption is applied) with unrealised gains or losses recognised in consolidated statement of comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income. Interest earned whilst holding AFS financial assets is reported as finance income using the EIR method.

Unquoted equity instruments are carried at cost, as their fair value cannot be measured reliably.

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

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

5. Summary of significant accounting polices (continued)

Financial assets (continued)

Derecognition
A financial asset is primarily derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Interest income (recorded as finance income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

5. Summary of significant accounting polices (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

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

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVIS; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVIS has two sub-categories:

- *Designated:* A financial liability that is designated by the entity as a liability at FVIS upon initial recognition; and

- *Held for trading:* A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

5. Summary of significant accounting polices (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)
All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement
Financial liabilities at FVIS continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of income when the liabilities are derecognised as well as through the 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 method. The EIR amortisation is included as finance costs in the consolidated statement of income.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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

5. Summary of significant accounting polices (continued)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. The Group also makes use of commodity derivative financial instruments to hedge against cash flow variability arising as a result of fluctuations in natural gas prices. These hedges executed consist of swaps and purchased call-options.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the consolidated statement of income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to yield curves for similar instruments.

For the purpose of hedge accounting, cash flow hedges apply when hedging exposure to variability in cash flows is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. The effective portion of a gain or loss on a hedged instrument is recognised in the consolidated statement of comprehensive income, while any ineffective portion is recognised in the consolidated statement of income.

Amounts recognised in the consolidated statement of comprehensive income are transferred to the consolidated statement of income when the hedged transaction affects net income or loss, such as when the hedged financial income or financial expense is recognised or when forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to OCI are transferred to the initial carrying amount of the non-financial asset or liability. If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in the consolidated statement of comprehensive income are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in the consolidated statement of comprehensive income remain in OCI until the forecasted transaction or firm commitment occurs.

5. Summary of significant accounting polices (continued)

Inventories

Inventories, including raw materials, work in progress, finished goods, and consumables and spare parts are measured at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs or the net realisable value.

Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of variable and fixed direct overheads.

Cash dividend paid to equity holders of the Parent

The Group recognises a liability to make cash distribution to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in KSA, a distribution is authorised when it is approved by the shareholders. Interim dividends, if any, are recorded when approved by the Board of Directors. A corresponding amount is recognised directly in equity.

Provisions

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

Environmental obligations
In accordance with the Group's environmental policy and applicable legal requirements, management of the Group recognises a provision for environmental clean-up cost when it is probable that a legal and constructive liability has materialised and the amount of cash outflow can be reasonably estimated.

Onerous contracts
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 cost meeting its obligation under the contract.

Decommissioning liability
The Group records a provision for decommissioning costs of manufacturing facilities when an obligation exists. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-zakat/tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimated future cost of decommissioning is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

5. Summary of significant accounting polices (continued)

Provisions (continued)

Restructuring
Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. A provision for restructuring related to severance costs is recognised when management of the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Employee benefits

Long-term employee benefit obligations
Long-term employee benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate or government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income.

Post-employment obligation
The Group offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation. The contributions are recognised as employee benefit expense in the consolidated statement of income when they are due.

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

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

End of service benefits and pension plans
In KSA, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group policy. In other countries, the respective labour laws are taken into consideration.

5. Summary of significant accounting polices (continued)

Employee benefits (continued)

Defined benefit plans (continued)

End of service benefits and pension plans (continued)
The net pension asset or liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") less the fair value of plan assets, if any, at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets.

DBO costs are calculated, using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the interim period, consideration is given to re-measure such liabilities and the related costs.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

When the benefits plan are amended, the portion of the change in benefit relating to the past service by employees is recognised as an expense or income; if applicable, on a straight-line basis over the average period until the benefits become vested in the consolidated statement of income. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the consolidated statement of income.

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

Post-retirement medical care and life insurance
The Group also offers post-retirement healthcare and life insurance benefits to their eligible retirees and their dependents. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. These obligations are valued periodically by independent qualified actuaries.

5. Summary of significant accounting polices (continued)

Employee benefits (continued)

Defined benefit plans (continued)

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

Short-term and long-term incentive plans (profit sharing or bonus plans)
The Group recognises a liability for bonuses and incentive plans based on a formula that takes into consideration the estimated expected payable amount given the performance of the Group. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation, and where the amount is accrued over the period based on the target expectation and a reliable estimate of the obligation can be made.

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

Employee Home Ownership Program ("HOP")
Certain companies within the Group have established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Group. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

Employee Home Loan Program ("HLP")
The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay. HLP is recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

5. Summary of significant accounting polices (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Where the Group acts as marketer for any associate, joint venture or any other third party, it reviews such arrangement to assess whether it acts as a principal or an agent. Where the Group assesses itself as the principal, it records all relevant sales and costs of sale for the goods sold.

If the Group enters into swap transactions and represent exchange of similar items within a limited short period of time and do not generally carry commercial substance, these transactions are recorded as stock transfers at cost and the corresponding effect is recorded as receivables and payables.

Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS financial assets, finance income is recorded using the Effective Interest Rate ("EIR"). EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

6. First-time adoption of IFRS

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") issued by SOCPA in KSA ("SOCPA GAAP"). The Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the period beginning 1 January 2017, as well as for presenting the relevant comparative period data.

Accordingly, these consolidated financial statements are prepared in accordance with IFRS as endorsed in KSA.

In compliance with requirements of IFRS 1 as endorsed in KSA, the Group's opening statement of consolidated financial position was prepared as at 1 January 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has analysed the impact on the statement of consolidated financial positions as at 1 January 2016 and 31 December 2016 and also the consolidated financial statements for the year ended 31 December 2016.

Certain optional exemptions were applied by the Group in preparing these consolidated financial statements in accordance with IFRS 1 as endorsed in KSA from full retrospective application of IFRS as endorsed in KSA. The optional exemptions applied is that the Group has elected the business combination exemption in IFRS 1 to not apply IFRS 3 – Business Combinations ("IFRS 3") retrospectively, to past business combinations. Accordingly, the Group has not restated business combinations that took place prior to the transition date.

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

6. First-time adoption of IFRS (continued)

Reconciliation of equity as at 31 December 2016

	Notes	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as per SOCPA GAAP		30,000,000	15,000,000	110,889,032	(5,718,885)	12,877,748	163,047,895	47,278,728	210,326,623
IFRS adoption adjustments									
• Actuarial valuations of employee benefits	*A*	-	-	-	347,611	(3,209,528)	(2,861,917)	(884,765)	(3,746,682)
• Goodwill of a subsidiary	*B*	-	-	-	-	(3,131,250)	(3,131,250)	-	(3,131,250)
• Deferred taxes	*C*	-	-	-	-	-	-	(1,680,550)	(1,680,550)
• Impairment of property, plant and equipment	*D*	-	-	-	-	(334,503)	(334,503)	(334,504)	(669,007)
• Componentisation of property, plant and equipment	*E*	-	-	-	-	510,765	510,765	16,298	527,063
• Others, net	*F*	-	-	-	63,291	240,728	304,019	148,823	452,842
Total adjustment to equity		-	-	-	410,902	(5,923,788)	(5,512,886)	(2,734,698)	(8,247,584)
Balance as per IFRS as endorsed in KSA		30,000,000	15,000,000	110,889,032	(5,307,983)	6,953,960	157,535,009	44,544,030	202,079,039

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

6. First-time adoption of IFRS (continued)

Reconciliation of equity as at 1 January 2016

	Notes	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as per SOCPA GAAP		30,000,000	15,000,000	110,889,032	(4,005,688)	10,040,705	161,924,049	47,933,137	209,857,186
IFRS adoption adjustments									
• Actuarial valuations of employee benefits	*A*	-	-	-	-	(2,895,975)	(2,895,975)	(961,242)	(3,857,217)
• Goodwill of a subsidiary	*B*	-	-	-	-	(3,131,250)	(3,131,250)	-	(3,131,250)
• Deferred taxes	*C*	-	-	-	-	-	-	(1,125,412)	(1,125,412)
• Componentisation of property, plant and equipment	*E*	-	-	-	-	703,346	703,346	(17,595)	685,751
• Others, net	*F*	-	-	-	72,846	(376,475)	(303,629)	17,519	(286,110)
Total adjustment to equity		-	-	-	72,846	(5,700,354)	(5,627,508)	(2,086,730)	(7,714,238)
Balance as per IFRS as endorsed in KSA		30,000,000	15,000,000	110,889,032	(3,932,842)	4,340,351	156,296,541	45,846,407	202,142,948

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

6. First-time adoption of IFRS (continued)

The following table illustrates the reconciliation of total comprehensive income reported in accordance with SOCPA GAAP to IFRS as endorsed in KSA:

Reconciliation of total comprehensive income:

	Notes	For the year ended 31 December 2016
Net income under SOCPA GAAP		25,048,884
IFRS adoption adjustments		
• Actuarial valuations of employee benefits	*A*	(383,543)
• Recognition of deferred tax liability	*C*	(555,138)
• Impairment of property, plant and equipment	*D*	(669,007)
• Componentisation of property, plant and equipment	*E*	(130,855)
• Reclassification of income tax to consolidated income statement *		(651,284)
• Others, net	*F*	718,876
Total adjustment to consolidated statement of income statement		(1,670,951)
Net income under IFRS as endorsed in KSA		23,377,933
Other comprehensive income under IFRS as endorsed in KSA		(1,228,674)
Total comprehensive income under IFRS as endorsed in KSA		22,149,259

* In line with IAS 12, in relation to certain Group subsidiaries' income tax, which was previously required to be recorded under retained earnings, have been reclassified to consolidated statement of income.

No statement of comprehensive income was produced under SOCPA GAAP. Therefore, the reconciliation in the above table starts with the net income under SOCPA GAAP.

Estimates

The estimates as at 31 December 2016 are consistent with those made for the same dates disclosed above in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the actuarial valuation in end of service benefits, post-employment medical benefits and continuous service award (refer to Note 3.1.3) where the application of SOCPA GAAP did not require estimation in accordance with the guidance provided under IFRS as endorsed in KSA.

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

6. First-time adoption of IFRS (continued)

The impact on cash flows and on earnings per share were as follows:

	As per SOCPA GAAP for the year ended 31 December 2016	As per IFRS as endorsed in KSA for the year ended 31 December 2016	Difference
Net cash from operating activities	39,701,048	40,027,033	325,985
Net cash used in investing activities	(4,216,648)	(5,036,288)	(819,640)
Net cash used in financing activities	(33,366,659)	(32,749,145)	617,514
Earnings per share in (SR)	5.95	5.87	(0.08)

Notes to the reconciliation of equity as at 31 December 2016 and 1 January 2016 and total comprehensive income for the year ended 31 December 2016 are given below:

IFRS adoption adjustments

A. Actuarial valuations of employee benefits

Under IFRS as endorsed in KSA, end of service benefits, post-employment medical benefits, continuous service awards and other such employee benefits are required to be calculated using actuarial valuations. Historically, the Group has, in certain regions, calculated some of these obligations based on the local regulations at the reporting date without considering expected future service periods of employees, salary increments and discount rates. This change resulted in an increase in the employee benefits liability balances and a decrease in retained earnings in the consolidated statement of financial position.

B. Goodwill of a subsidiary

Under SOCPA GAAP, the Group defined CGU at a higher level than its subsidiaries that adopted IFRS earlier. The carrying amount of a subsidiary's assets and liabilities should be same for the Group's IFRS consolidated statement of financial position at the date of IFRS adoption and the subsidiary's financial statements. To reconcile the carrying amount for goodwill within the Group at the date of IFRS adoption, the Group has reduced its goodwill carrying amount by SR 3.1 billion against retained earnings.

C. Deferred taxes

Deferred taxes have been recognised to account for taxable and deductible temporary differences between the carrying amounts of the Group's assets and liabilities and their tax bases.

6. First-time adoption of IFRS (continued)

IFRS adoption adjustments (continued)

D. Impairment of property, plant and equipment

The Group assessed that for a particular plant and equipment in its subsidiary, it may be impaired considering the requirements of IAS 36 "Impairment of Assets". Under SOCPA GAAP guidelines, an entity compares the gross un-discounted value of its future cash flows with the net carrying value of the plant and equipment to assess if an impairment is necessary. However, IAS 36 requires determination of value-in-use based on discounted cash flows that resulted in an impairment when comparing to the net carrying value of the particular plant and equipment. Accordingly, this change resulted in a decrease in the property, plant and equipment balances and retained earnings.

E. Componentisation of property, plant and equipment

Under IFRS as endorsed in KSA, the property, plant and equipment should be componentised and their useful lives identified separately. Such componentisation practice was not followed generally by companies in KSA. As part of the transition to IFRS as endorsed in KSA, the Group has applied the concept of assets components and accounted for its impact on the useful lives, which resulted in a positive impact on retained earnings and increase in net book value of property, plant and equipment.

F. Others, net

The caption others mainly refer to the net impact of the following:

- Certain spare parts which meet the definition of plant and equipment under IFRS endorsed in KSA have been reclassified from inventories to plant and equipment with corresponding impact on depreciation;

- Based on requirements of IFRS as endorsed in KSA, certain items within property, plant and equipment, intangibles and inventories were either derecognised or re-classified within these categories resulting in an impact on retained earnings due to de-recognition or amortisation and depreciation;

- At the time of adoption of IFRS as endorsed in KSA, the Group has recognised certain embedded leases based on the nature and terms of the underlying arrangements; and

- The Group has accounted for certain financial assets and liabilities, including certain items like loans and guarantees for certain related parties at their respective fair values at first time adoption date. The day one gain and loss, together with subsequent consequent amortisation of some of such balances has been recognised in the retained earnings.

In addition to above IFRS adoption adjustments, certain items in the consolidated statements of financial position and income have been reclassified to meet the presentation and disclosure requirements in accordance with IFRS as endorsed in KSA, which have not resulted in any additional impact on equity or net income for comparative figures. Mainly certain selling and distribution expenses have been separately presented in the consolidated statement of income, which previously were deducted from sales, in addition, finance lease obligation has been reclassified under loans and borrowings which previously was shown under other liabilities in the consolidated statement of financial position.

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

7 Property, plant and equipment

	For the year ended 31 December 2017						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	30,135,060	269,962,131	937,676	747,204	1,217,969	25,670,957	328,670,997
Additions	96,779	3,473,092	11,151	11,935	-	7,504,425	11,097,382
Transfers	992,607	6,898,846	59,797	2,215	-	(8,343,989)	(390,524)
Disposals	(90,017)	(2,030,891)	(10,141)	(8,437)	(867)	(45,781)	(2,186,134)
Write down	(14,362)	(59,811)	-	(538)	-	(103,414)	(178,125)
Currency translation adjustment	732,957	3,259,462	18,414	2,866	131	212,250	4,226,080
At the end of the year	31,853,024	281,502,829	1,016,897	755,245	1,217,233	24,894,448	341,239,676
Accumulated depreciation and impairment:							
At the beginning of the year	(13,237,142)	(142,658,096)	(662,491)	(508,372)	(585,907)	(669,007)	(158,321,015)
Charge for the year	(1,043,519)	(12,689,525)	(74,505)	(52,154)	(68,514)	-	(13,928,217)
Impairment and write down for the year	(105,527)	(976,939)	(15)	538	(921)	(302,614)	(1,385,478)
Transfers	(142,450)	289,860	(13,550)	-	21,022	-	154,882
Disposals	88,640	1,936,588	9,947	8,182	867	-	2,044,224
Currency translation adjustment	(367,966)	(2,063,716)	(13,893)	(2,221)	(365)	-	(2,448,161)
At the end of the year	(14,807,964)	(156,161,828)	(754,507)	(554,027)	(633,818)	(971,621)	(173,883,765)
Net book amounts:							
At 31 December 2017	17,045,060	125,341,001	262,390	201,218	583,415	23,922,827	167,355,911
At 1 January 2017	16,897,918	127,304,035	275,185	238,832	632,062	25,001,950	170,349,982

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

7 Property, plant and equipment (continued)

	For the year ended 31 December 2016						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	28,880,385	254,380,984	556,853	744,837	1,217,969	32,721,486	318,502,514
Additions	261,064	3,863,191	201,905	2,754	-	10,259,999	14,588,913
Transfers	1,225,673	14,695,041	257,805	1,725	-	(16,971,910)	(791,666)
Disposals	(38,685)	(1,203,976)	(38,678)	(2,112)	-	-	(1,283,451)
Currency translation adjustment	(193,377)	(1,773,109)	(40,209)	-	-	(338,618)	(2,345,313)
At the end of the year	30,135,060	269,962,131	937,676	747,204	1,217,969	25,670,957	328,670,997
Accumulated depreciation and impairment:							
At the beginning of the year	(11,802,319)	(131,314,465)	(288,904)	(487,911)	(481,987)	-	(144,375,586)
Charge for the year	(1,053,863)	(12,193,533)	(490,723)	(21,840)	(103,920)	-	(13,863,879)
Impairment for the year	-	(1,520,859)	-	-	-	(669,007)	(2,189,866)
Transfers	(516,571)	565,767	54,583	(66)	-	-	103,713
Disposals	31,610	844,557	37,704	1,445	-	-	915,316
Currency translation adjustment	104,001	960,437	24,849	-	-	-	1,089,287
At the end of the year	(13,237,142)	(142,658,096)	(662,491)	(508,372)	(585,907)	(669,007)	(158,321,015)
Net book amounts:							
At 31 December 2016	16,897,918	127,304,035	275,185	238,832	632,062	25,001,950	170,349,982
At 1 January 2016	17,078,066	123,066,519	267,949	256,926	735,982	32,721,486	174,126,928

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

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the year

	For the year ended 31 December 2017	For the year ended 31 December 2016
Cost of sales (Note 26.1)	**13,268,321**	13,207,032
Selling and distribution expenses (Note 26.3)	**74,328**	73,985
General and administrative expenses	**585,568**	582,862
Total	**13,928,217**	13,863,879

Land and building
The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 30 years. Similar arrangements apply for number of shared manufacturing sites in Europe.

Assets under construction
Assets under construction mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related capital commitments are reported in Note 36.

Capitalised borrowing costs
The borrowing cost capitalised during the year ended 31 December 2017 amounted to SR 0.46 billion (2016: SR 0.25 billion), out of which SR 0.10 billion (2016: SR 0.03 billion) relate to non-conventional financing facilities.

Freehold land
Land and buildings include an amount of SR 2.04 billion as of 31 December 2017 (2016: SR 1.95 billion) representing the cost of freehold land.

Finance lease
Leased assets are pledged as security for the related finance lease and hire purchase liabilities.

Mortgaged property, plant and equipment
Property, plant and equipment of certain subsidiaries in the KSA are mortgaged to Saudi Industrial Development Fund ("SIDF") as security for its term loans amounting to SR 36.86 billion (2016: SR 42.66 billion).

7 Property, plant and equipment (continued)

Impairment and write down of plant and equipment

During the year ended 31 December 2017, total impairment and write down amounting to SR 1,564 million was recorded against the plant and equipment are as follows:

- An impairment loss amounting to SR 482 million (2016: SR 2,189 million) recorded against certain plant and equipment of subsidiaries to bring these to their recoverable amount due to lower profitability and demand. The recoverable amount of the plant and equipment were computed as SR 1,365 million as at 31 December 2017 based on "value-in-use" method and determined at the level of CGU as identified by respective subsidiaries' management. In determining value in use for the CGU, the cash flows – determined using approved 5-year business plan and budget – were discounted at a rate of 7.48%-9.49% on a pre-zakat basis and were projected up to the year 2047 in line with the estimated useful life of the concerned plant and equipment.

- Write down amounting to SR 1,082 million (2016: nil) recorded against certain plant and equipment that have been decided to be idle as a result of their current economic conditions and are not expected to bring these plant and equipment to become operative in near future and hence the amount above is recognised in the consolidated statement of income under cost of sales. These write-downs were to reduce the total carrying value of certain plant and equipment to nil.

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

8 Intangible assets

	For the year ended 31 December 2017					
	Goodwill	Software and IT development	Licenses	Others	Under development	Total
Cost:						
At the beginning of the year	8,676,316	2,461,065	8,835,755	20,605	44,916	20,038,657
Additions - separately acquired	-	23,339	269,531	6,652	74,200	373,722
Transfers	-	(60,800)	549,047	76,684	(86,166)	478,765
Write down	-	(139,028)	(129,616)	(4,634)	-	(273,278)
Currency translation adjustment	656,957	43,577	138,611	6,434	-	845,579
At the end of the year	9,333,273	2,328,153	9,663,328	105,741	32,950	21,463,445
Accumulated amortisation:						
At the beginning of the year	-	(1,571,844)	(5,530,686)	(10,219)	-	(7,112,749)
Charge for the year	-	(235,318)	(663,768)	(18,481)	-	(917,567)
Transfers	-	35,617	(67,701)	(28,561)	-	(60,645)
Write down	-	139,028	128,030	4,634	-	271,692
Currency translation adjustment	-	(19,143)	(81,397)	(1,239)	-	(101,779)
At the end of the year	-	(1,651,660)	(6,215,522)	(53,866)	-	(7,921,048)
Net book amounts:						
At 31 December 2017	9,333,273	676,493	3,447,806	51,875	32,950	13,542,397
At 1 January 2017	8,676,316	889,221	3,305,069	10,386	44,916	12,925,908

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

8 Intangible assets (continued)

	For the year ended 31 December 2016					
	Goodwill	Software and IT development	Licenses	Others	Under development	Total
Cost:						
At the beginning of the year	8,846,041	1,763,643	8,663,079	242,366	232,272	19,747,401
Additions	-	427,687	506,139	2,811	-	936,637
Transfers	-	269,895	(375)	(222,708)	(187,356)	(140,544)
Write down	-	(311)	(272,344)	-	-	(272,655)
Currency translation adjustment	(169,725)	151	(60,744)	(1,864)	-	(232,182)
At the end of the year	8,676,316	2,461,065	8,835,755	20,605	44,916	20,038,657
Accumulated amortisation:						
At the beginning of the year	-	(1,052,520)	(5,438,095)	(176,710)	-	(6,667,325)
Charge for the year	-	(201,608)	(634,671)	(968)	-	(837,247)
Transfers	-	(317,878)	215,236	167,129	-	64,487
Write down	-	311	272,344	-	-	272,655
Currency translation adjustment	-	(149)	54,500	330	-	54,681
At the end of the year	-	(1,571,844)	(5,530,686)	(10,219)	-	(7,112,749)
Net book amounts:						
At 31 December 2016	8,676,316	889,221	3,305,069	10,386	44,916	12,925,908
At 1 January 2016	8,846,041	711,123	3,224,984	65,656	232,272	13,080,076

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

8 Intangible assets (continued)

Allocation of amortisation charge for the year

	For the year ended 31 December 2017	For the year ended 31 December 2016
Cost of sales (Note 26.1)	818,741	679,371
General and administrative expenses	98,826	157,876
Total	917,567	837,247

Goodwill

Goodwill, resulting from the Group's acquisitions in 2002 and 2007, has been allocated to the Group's CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petchem and Specialties. The goodwill allocated to Petchem amounts to SR 5.13 billion and to Specialties SR 3.30 billion. The Weighted Average Cost of Capital ("WACC") rate applied is 6.4% for Petchem (2016: 6.3%) and for Specialties 7.3% (2016: 7.4%).

The goodwill impairment test did not reveal any impairment loss for the respective CGUs at 31 December 2017 (2016: nil). The recoverable amount would equal the carrying amount if the carrying amount at the WACC rate increases by more than a significant multiple.

The recoverable amount of the CGUs are based on a value-in-use calculation for which cash flow projections are derived from the respective budget and business plans taking into account of terminal value using a pre-tax WACC. The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective tax rate is assumed to be 25%. Cash flow projections beyond the five-year business plan are extrapolated taking into account an assumed growth rate of 1.8%- 2.0% which is the assumed long-term inflation rate per region. The terminal value is calculated over an applicable industry cycle and a calculated pre-tax discount rate is applied.

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

9 Investments

9.1 Investments in associates and joint ventures

The table below outlines the Group's investment in associates and joint venture. These are accounted for using the equity method. For a complete listing of associates and joint ventures, along with countries of incorporation and principal activities, refer to Note 40.

	Ownership %	**As at 31 December 2017**	As at 31 December 2016	As at 1 January 2016
Associate				
Gulf Petrochemical Industries Company (GPIC)	*33.33*	**628,503**	478,150	485,369
Gulf Aluminium Rolling Mills Company (GARMCO)	*30.4*	**83,059**	106,300	124,677
Ma'aden Phosphate Company (MPC)	*30*	**1,960,276**	1,885,816	2,372,873
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	*24.81*	**1,719,222**	1,643,288	1,468,847
Aluminium Bahrain BSC (ALBA)	*20.62*	**2,152,435**	2,017,284	1,943,334
National Chemical Carrier Company (NCC)	*20*	**331,604**	319,768	294,912
Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC)	*15*	**1,799,877**	1,587,540	1,364,394
Saudi Arabian Industrial Investment Company (Dussur)	*25*	**144,687**	96,240	125,000
Others	-	**870,125**	808,382	771,373
Joint venture				
Sinopec Sabic Tianjin Petrochemical Company (SSTPC)	*50*	**4,031,268**	3,508,677	3,221,555
Sabic SK Nexlene Company (SSNC)	*50*	**583,084**	488,879	545,954
		14,304,140	12,940,324	12,718,288

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

The movement of investments in associate and joint ventures is as follows:

	For the year ended 31 December 2017											
	Associates									Joint ventures		
	GPIC	GARMCO	MPC	MARAFIQ	ALBA	NCC	MWSPC	DUSSUR	Others	SSTPC	SSNC	Total
Balance at the beginning of the year	478,150	106,300	1,885,816	1,643,288	2,017,284	319,768	1,587,540	96,240	808,382	3,508,677	488,879	12,940,324
Share in earnings for the year, net	43,853	(23,241)	74,460	83,705	196,314	11,836	71,712	(44,103)	(35,453)	1,059,693	(19,096)	1,419,680
Capital contributions during the year	-	-	-	-	-	-	140,625	92,550	119,820	-	-	352,995
Share in other comprehensive income	-	-	-	23,241	-	-	-	-	(56,294)	-	113,301	80,248
Dividends, net of withholding tax and adjustments	106,500	-	-	(31,012)	(61,163)	-	-	-	33,670	(271,931)	-	(223,936)
Currency translation adjustment	-	-	-	-	-	-	-	-	-	(265,171)	-	(265,171)
Balance at the end of the year	628,503	83,059	1,960,276	1,719,222	2,152,435	331,604	1,799,877	144,687	870,125	4,031,268	583,084	14,304,140

Note: Adjustment relates to prior year's dividend declaration from GPIC, which has been rescinded in the current year and thus reversed.

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

	For the year ended 31 December 2016											
	Associates									Joint ventures		
	GPIC	GARMCO	MPC	MARAFIQ	ALBA	NCC	MWSPC	DUSSUR	Others	SSTPC	SSNC	Total
Balance at the beginning of the year	485,369	124,677	2,372,873	1,468,847	1,943,334	294,912	1,364,394	125,000	771,373	3,221,555	545,954	12,718,288
Share in earnings for the year, net	(7,219)	(18,377)	(7,057)	159,475	89,969	24,856	(1,854)	(28,760)	15,548	677,607	(28,253)	875,935
Capital contribution during the year	-	-	-	-	-	-	225,000	-	9,632	-	-	234,632
Share in other comprehensive income	-	-	-	14,966	-	-	-	-	11,829	-	(28,822)	(2,027)
Dividends, net of withholding tax	-	-	(480,000)	-	(16,019)	-	-	-	-	(162,912)	-	(658,931)
Currency translation adjustment	-	-	-	-	-	-	-	-	-	(227,573)	-	(227,573)
Balance at the end of the year	478,150	106,300	1,885,816	1,643,288	2,017,284	319,768	1,587,540	96,240	808,382	3,508,677	488,879	12,940,324

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

Summarised financial information of associates

The tables below provides summarised financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not SABIC's share of those amounts.

	MPC	MARAFIQ	ALBA	MWSPC (i)
	As at 31 December 2017			
Current assets	2,388,835	3,967,877	4,356,845	2,175,416
Non-current assets	15,219,205	21,443,315	12,337,072	26,328,595
Current liabilities	1,824,375	2,772,990	1,764,673	2,111,058
Non-current liabilities	9,249,412	15,708,648	4,490,666	17,941,863
Closing net assets	6,534,253	6,929,554	10,438,578	8,451,090
Reconciliation to carrying amounts:				
Group's share in %	30%	24.81%	20.62%	15%
Group's share in associate	1,960,276	1,719,222	2,152,435	1,267,664
Carrying amount	1,960,276	1,719,222	2,152,435	1,799,877
	For the year ended 31 December 2017			
Revenue	4,253,916	3,983,429	8,494,263	1,096,917
Net income for the year - all from continuing operations	248,200	337,384	952,056	478,080
Reconciliation:				
Group's share in %	30%	24.81%	20.62%	15%
Group's share in associate	74,460	83,705	196,314	71,712
Share in earnings	74,460	83,705	196,314	71,712

(i) the Group's investment includes additional contribution made to investee in relation to mineral rights

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	MPC	MARAFIQ	ALBA	MWSPC (i)
	As at 31 December 2016			
Current assets	2,402,548	4,004,760	3,187,718	2,424,348
Non-current assets	15,920,579	21,721,291	8,433,715	24,320,185
Current liabilities	1,680,222	2,426,758	1,758,642	2,297,998
Non-current liabilities	10,356,853	16,675,803	79,648	17,409,776
Closing net assets	6,286,052	6,623,490	9,783,143	7,036,759
Reconciliation to carrying amounts:				
Group's share in %	30%	24.81%	20.62%	15%
Group's share in associate	1,885,816	1,643,287	2,017,284	1,055,514
Carrying amount	1,885,816	1,643,287	2,017,284	1,587,540
	For the year ended 31 December 2016			
Revenue	4,056,326	3,716,606	6,632,513	-
Net income for the year - all from continuing operations	(23,523)	642,785	436,319	(12,360)
Reconciliation:				
Group's share in %	30%	24.81%	20.62%	15%
Group's share in associate	(7,057)	159,475	89,969	(1,854)
Share of earnings	(7,057)	159,475	89,969	(1,854)

(i) the Group's investment includes additional contribution made to investee in relation to mineral rights

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

Summarised financial information of joint ventures

The tables below provides summarised financial information of SSTPC, a material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not SABIC's share of those amounts.

	As at 31 December 2017	As at 31 December 2016
Cash and cash equivalents	3,759,990	2,094,547
Total current assets	5,321,463	3,181,580
Non-current assets	8,460,766	8,895,203
Current financial liabilities (excluding trade payables)	1,507,095	607,607
Total current liabilities	2,620,246	1,531,152
Total non-current liabilities	3,099,448	3,528,277
Net assets	8,062,535	7,017,354
Reconciliation to carrying amounts:		
Group's share in %	50%	50%
Group's share in joint venture	4,031,268	3,508,677
Carrying amount	4,031,268	3,508,677

	For the year ended 31 December 2017	For the year ended 31 December 2016
Revenue	12,844,702	9,416,027
Depreciation and amortisation	(446,064)	(455,305)
Interest income	57,921	17,093
Interest expense	(123,731)	(138,736)
Income tax expense	(709,951)	(442,344)
Net income for the year - all from continuing operations	2,119,386	1,355,214
Reconciliation:		
Group's share in %	50%	50%
Group's share of earnings in joint venture	1,059,693	677,607
Share of earnings	1,059,693	677,607

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

9 Investments (continued)

9.1 Investments in associates and joint ventures (continued)

Summarised financial information of individually immaterial associates and joint venture

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income for the year - all from continuing operations	72,364	(43,995)	316,856	(39,439)

Fair value of listed associate
The fair value of the Group's investment in ALBA is 1,792.0 million (2016: SR 939.9 million).

Commitments arising from joint arrangements
The joint ventures have contingent liabilities or commitments as at 31 December 2017 amounting to SR 0.08 million (2016: SR 0.014 million).

9.2 Held-to-maturity investments

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Current (in short-term investments)			
Fixed rate instruments	-	23,725	-
Floating rate instrument	390,320	385,320	302,500
	390,320	409,045	302,500
Non-current			
Fixed rate instruments	1,755,531	672,790	678,125
Floating rate instrument	1,299,630	2,803,800	3,002,222
	3,055,161	3,476,590	3,680,347
	3,445,481	3,885,635	3,982,847

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

9 Investments (continued)

9.2 Held-to-maturity investments (continued)

Currency exposure

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
SR	2,029,856	2,376,620	2,585,972
USD	1,415,625	1,509,015	1,396,875
	3,445,481	3,885,635	3,982,847

9.3 AFS Financial assets:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Listed securities			
Equity securities	20	42,480	54,112
Unlisted securities			
Equity securities	396,817	356,720	349,489
Mutual fund units	299,406	294,198	337,100
	696,223	650,918	686,589
Total	696,243	693,398	740,701

9.4 Amounts recognised in consolidated statement of income and other comprehensive income

	For the year ended 31 December 2017	For the year ended 31 December 2016
During the year, the following gains/(losses) were recognised in consolidated statement of income and other comprehensive income:		
• Losses recognised in other comprehensive income	(10,023)	(10,108)
• Gains recognised in consolidated statement of income as other income being reclassified from other comprehensive income on sale	14,435	-

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

10 Other non-current assets

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Employee advances	2,576,031	2,624,701	2,433,968
Loan receivable from related parties	576,090	551,295	551,295
Reimbursement receivable	244,112	204,844	513,731
Pre-paid mining fee	112,500	112,500	112,500
Others	710,767	826,414	1,124,754
	4,219,500	4,319,754	4,736,248

Employee advances include HOP prepayments, which are recognised when residential units are allocated to the employees.

Reimbursement receivable relates to the recovery of tax payments as a result of the purchase price agreement related to an acquisition by SABIC Innovative Plastics Holding B.V.

Others mainly include advances to contractors and miscellaneous items.

11 Financial assets and financial liabilities

	As at 31 December 2017			
	Total	Loans and advances	Financial assets at FVIS	Available for sale through OCI
Financial assets				
Held-to-maturity investments (Note 9.2)	3,055,161	3,055,161	-	-
AFS financial assets (Note 9.3)				
- Quoted	20	-	-	20
- Unquoted	696,223	-	-	696,223
Derivative financial instruments (Note 24)	26,806	-	26,806	-
Trade receivables (Note 13)	22,609,432	22,609,432	-	-
Short-term investments (Note 15)	4,351,072	4,351,072	-	-
Cash and bank balances (Note 16)	59,038,656	59,038,656	-	-
Other financial assets	2,001,134	2,001,134	-	-
Total	91,778,504	91,055,455	26,806	696,243

	As at 31 December 2017		
	Total	Financial liabilities at amortised cost	Financial liabilities at FVIS
Financial liabilities			
Debt (Note 20)	56,998,188	56,998,188	-
Short term borrowings (Note 20)	1,065,000	1,065,000	-
Derivative financial instruments (Note 24)	16,236	-	16,236
Trade payables (Note 22)	18,061,464	18,061,464	-
Other financial liabilities	2,347,871	2,347,871	-
Total	78,488,759	78,472,523	16,236

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

11 Financial assets and financial liabilities (continued)

	As at 31 December 2016			
	Total	Loans and advances	Financial assets at FVIS	Available for sale through OCI
Financial assets				
Held-to-maturity investments (Note 9.2)	3,476,590	3,476,590	-	-
AFS financial assets (Note 9.3)				
- Quoted	42,480	-	-	42,480
- Unquoted	650,918	-	-	650,918
Derivative financial instruments (Note 24)	84,597	-	84,597	-
Trade receivables (Note 13)	19,853,239	19,853,239	-	-
Short-term investments (Note 15)	20,105,377	20,105,377	-	-
Cash and bank balances (Note 16)	40,247,740	40,247,740	-	-
Other financial assets	2,025,134	2,025,134	-	-
Total	86,486,075	85,708,080	84,597	693,398

	As at 31 December 2016		
	Total	Liabilities at amortised cost	Liabilities at FVIS
Financial Liabilities			
Debt (Note 20)	63,109,749	63,109,749	-
Derivative financial instruments (Note 24)	70,300	-	70,300
Trade payables (Note 22)	16,368,834	16,368,834	-
Other financial liabilities	2,246,812	2,246,812	-
Total	81,795,695	81,725,395	70,300

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

11 Financial assets and financial liabilities (continued)

	As at 1 January 2016			
	Total	Loans and advances	Financial assets at FVIS	Available for sale through OCI
Financial assets				
Held-to-maturity investments (Note 9.2)	3,680,347	3,680,347	-	-
AFS financial assets (Note 9.3)				
- Quoted	54,112	-	-	54,112
- Unquoted	686,589	-	-	686,589
Derivative financial instruments (Note 24)	41,126	-	41,126	-
Trade receivables (Note 13)	19,458,460	19,458,460	-	-
Short-term investments (Note 15)	29,608,481	29,608,481	-	-
Cash and bank balances (Note 16)	38,153,091	38,153,091	-	-
Other financial assets	2,700,247	2,700,247	-	-
Total	94,382,453	93,600,626	41,126	740,701

	As at 1 January 2016		
	Total	Financial liabilities at amortised cost	Financial liabilities at FVIS
Financial Liabilities			
Debt (Note 20)	73,442,188	73,442,188	-
Short term borrowings (Note 20)	428,201	428,201	-
Derivative financial instruments (Note 24)	155,101	-	155,101
Trade payables (Note 22)	16,515,186	16,515,186	-
Other financial liabilities	3,175,458	3,175,458	-
Total	93,716,134	93,561,033	155,101

The Group's exposure to various risks associated with the financial instruments is discussed in Note 35. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

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

12 Inventories

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Finished goods	15,547,664	12,999,369	11,399,691
Spare parts	5,560,723	5,537,155	5,489,016
Raw materials	4,445,988	3,916,683	6,871,993
Goods in transit	2,163,711	1,477,099	884,156
Work in process	121,183	171,218	242,929
	27,839,269	24,101,524	24,887,785
Less: Provision for slow moving and obsolete items	(1,776,274)	(1,500,026)	(1,160,721)
	26,062,995	22,601,498	23,727,064

Movements in the provision for slow moving and obsolete inventories were as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Balance at 1 January	1,500,026	1,160,721
Charge for the year	276,248	339,305
Balance at 31 December	1,776,274	1,500,026

The Group's exposure to commodity price risks is disclosed in Note 35.

13 Trade receivables

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Gross trade receivables	22,973,175	20,100,326	19,658,611
Less: Provision for doubtful debts	(363,743)	(247,087)	(200,151)
	22,609,432	19,853,239	19,458,460

Trade receivable are non-interest bearing and are generally on 30 – 120 days terms. At 31 December 2017, accounts receivable at nominal value SR 0.36 billion (31 December 2016: SR 0.25 billion and 1 January 2016: SR 0.20 billion) were impaired and provided for.

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

13 Trade receivables (continued)

The ageing analysis of trade receivables was as follows:

	Total	Neither past due nor impaired	Less than 60 days	61-90 days	91-180 days	181-365 days	More than one year
31 December 2017	**22,609,432**	**21,414,369**	**822,558**	**36,824**	**91,353**	**74,590**	**169,738**
31 December 2016	19,853,239	18,465,415	809,208	58,422	18,001	40,430	461,763
1 January 2016	19,458,460	17,662,339	1,752,040	6,463	17,694	6,644	13,280

Movements in the provision for doubtful debts were as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Balance at 1 January	**247,087**	200,151
Charge for the year	**175,774**	63,734
Write off /reversals during the year	**(59,118)**	(16,798)
Balance at 31 December	**363,743**	247,087

Aging of impaired receivables

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
1 to 3 months	-	13,515	269
3 to 6 months	-	2,045	198,626
Over 6 months	**363,743**	231,527	1,256
	363,743	247,087	200,151

14 Prepayments and other current assets

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Prepaid expenses	**1,811,990**	1,969,363	1,794,617
Taxes and subsidies receivable	**920,506**	550,108	236,505
Current portion of loan receivable from related parties	**238,760**	101,231	219,692
Interest receivable	**147,627**	186,723	165,936
Employee advances and receivables	**91,267**	119,209	89,484
Others	**2,491,166**	1,891,395	1,817,291
	5,701,316	4,818,029	4,323,525

Others mainly include deposits and other miscellaneous items.

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

15 Short-term investments

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Time deposits	**3,960,752**	19,696,332	29,305,981
Held-to-maturity investments (Note 9.2)	**390,320**	409,045	302,500
	4,351,072	20,105,377	29,608,481

The short-term investments mainly represent time deposits with banks of original maturities of more than three months and less than twelve months. These investments carry commission rates in line with the prevailing market rates.

16 Cash and bank balances

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Petty cash	**413**	818	710
Bank balances	**14,566,314**	11,145,079	8,170,658
Time deposits	**44,471,929**	29,101,843	29,981,723
	59,038,656	40,247,740	38,153,091

The time deposits represent deposits with banks of original maturities of less than three months.

The table below provides details of amounts placed in various currencies:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
SR	**30,398,916**	20,173,285	20,782,021
USD	**25,342,450**	19,995,577	15,353,917
Others	**3,297,290**	78,878	2,017,153
	59,038,656	40,247,740	38,153,091

16.1 Cash flows related disclosures

Cash and cash equivalents:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Cash and bank balances	**59,038,656**	40,247,740	38,153,091
Less: bank overdrafts	**(1,065,000)**	-	(146,951)
Cash and cash equivalents at the end of the year	**57,973,656**	40,247,740	38,006,140

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

16 Cash and bank balances (continued)

16.1 Cash flows related disclosures (continued)

Reconciliation of liabilities arising financing activities

	As at 1 January 2017	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2017
Debt	62,254,380	-	(5,612,441)	556,236	57,198,175
Finance lease payments	855,369	63,320	(53,676)	-	865,013
Dividends payable to shareholders	1,225,636	12,000,000	(11,592,416)	-	1,633,220
Dividends paid to non-controlling interests	-	5,390,185	(5,390,185)	-	-
Acquisition of non-controlling interests	-	3,075,000	(3,075,000)	-	-
Total financing activities	64,335,385	20,528,505	(25,723,718)	556,236	59,696,408

	As at 1 January 2016	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2016
Debt	72,893,786	-	(10,492,455)	(146,951)	62,254,380
Finance lease payments	976,603	8,531	(129,765)	-	855,369
Dividends payable to shareholders	1,139,393	15,000,000	(14,913,757)	-	1,225,636
Dividends paid to non-controlling interests	-	7,213,168	(7,213,168)	-	-
Total financing activities	75,009,782	22,221,699	(32,749,145)	(146,951)	64,335,385

Bank balances earn interest at fixed and floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest or profit at the respective short-term deposit rates.

At 31 December 2017, the Group had available SR 7.1 billion (31 December 2016: SR 7.5 billion, 1 January 2016: SR 7.2 billion) of undrawn committed borrowing facilities.

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

17 Share capital

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Authorised shares			
Ordinary shares of SR 10 each	**3,000,000**	3,000,000	3,000,000
Ordinary shares issued and fully paid	**3,000,000**	3,000,000	3,000,000

18 Reserves

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC must set aside 10% of net income in each year until it has built up a reserve equal to 30% of the share capital. As the reserve has exceeded this threshold, SABIC has resolved to discontinue such transfers. The reserve is not available for distribution.

General reserve

In accordance with SABIC's By-Laws, the General Assembly can establish a general reserve as an appropriation of retained earnings. The general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year.

	AFS reserve	Foreign currency translation reserve	Actuarial gain/(loss) reserve	Cash flow hedge reserve	Total
At 1 January 2017	38,979	(4,213,936)	(1,024,146)	(108,880)	(5,307,983)
Net change on currency translation of foreign operations	-	3,021,606	-	-	3,021,606
Re-measurement of employee benefits	-	-	231,660	-	231,660
Revaluation of AFS financial assets	(10,023)	-	-	-	(10,023)
Share of other comprehensive income of associates and joint ventures	-	(238,092)	-	53,169	(184,923)
Total other comprehensive income for the year	(10,023)	2,783,514	231,660	53,169	3,058,320
At 31 December 2017	28,956	(1,430,422)	(792,486)	(55,711)	(2,249,663)

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

18 Reserves (continued)

	AFS reserve	Foreign currency translation reserve	Actuarial gain/(loss) reserve	Cash flow hedge reserve	Total
At 1 January 2016	41,375	(3,145,153)	(823,962)	(5,102)	(3,932,842)
Net change on currency translation of foreign operations	-	(935,249)	-	-	(935,249)
Re-measurement of employee benefits	-	-	(200,184)	-	(200,184)
Revaluation of AFS financial assets	(10,108)	-	-	-	(10,108)
Share of other comprehensive income of associates and joint ventures	7,712	(133,534)	-	(103,778)	(229,600)
Total other comprehensive income for the year	(2,396)	(1,068,783)	(200,184)	(103,778)	(1,375,141)
At 31 December 2016	38,979	(4,213,936)	(1,024,146)	(108,880)	(5,307,983)

Total re-measurement impact of employee benefit obligations include tax amounted to SR 61 million (2016: SR 72 million) (Note 29.2).

19 Non-controlling interests

Non-controlling interests in group companies are included in the consolidated statement of financial position as part of equity. Non-controlling interests in the net results of subsidiaries are disclosed separately in the consolidated statement of income.

19.1 Acquisition of non-controlling interests

On 22 January 2017 (the "Value Date"), SABIC and Shell Chemicals Arabia LLC ("Shell"), SABIC's partner in Saudi Petrochemical Company ("Sadaf"), entered into an agreement pursuant to which SABIC agreed to purchase Shell's entire stake in Sadaf for SR 3.075 billion (the "Transaction"), thereby increasing SABIC's ownership interest in Sadaf from 50% to 100%. SABIC and Shell completed the Transaction on 16 August 2017.

Due to no change in control, the acquisition of Shell's ownership interest in Sadaf is accounted for as an equity transaction. Consequently, the excess consideration paid over the carrying value of Shell's ownership interest in Sadaf is recognised in retained earnings.

As agreed between SABIC and Shell, Shell's share of Sadaf's operating results related to the financial year ended 31 December 2017 has been reallocated to SABIC.

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

19 Non-controlling interests (continued)

19.1 Acquisition of non-controlling interests (continued)

The carrying value of the net assets of Sadaf as of the Value Date was SR 2.34 billion. The details of additional interest acquired in Sadaf are:

	For the year ended 31 December 2017
Cash consideration paid to non-controlling interest partner (USD 820 million)	(3,075,000)
Carrying value of the additional interest in Sadaf	2,335,205
Difference recognised in retained earnings	(739,795)

19.2 Absorption of loss on behalf of non-controlling interests

During the year ended 31 December 2017, the Board of Directors of SABIC, in order to support and continue the operation of Arabian Industrial Fibers Company ("Ibn Rushd"), a subsidiary, on a going concern basis, and to ensure compliance with the regulatory obligations under the Companies Regulations, resolved and recommended the following:

- Convert SR 4.58 billion representing the value of dues owed by the subsidiary to SABIC at 1 April 2017, as an "additional non-cash investment" to reduce the subsidiary's accumulated losses without affecting the subsidiary's existing number of shares and shareholding rights

- Reduce the subsidiary's share capital by SR 6.51 billion, to absorb further accumulated losses of the subsidiary, without affecting the subsidiary's shareholding proportion

- Convert the subsidiary's legal entity structure from closed Joint Stock Company ("JSC") to Limited Liability Company ("LLC")

In accordance with the outcome of Ibn Rushd's Extra Ordinary General Assembly, held on 31 December 2017, with respect to the capital restructuring and the conversion of the legal entity structure, these recommendations/resolutions were put into effect on 31 December 2017. As no change of control has occurred, the above have been accounted for as an equity transaction, in accordance with IFRS 10 – 'Consolidated Financial Statement' provisions. This resulted in a SR 2.36 billion reduction of retained earnings attributable to the equity holders of the Parent, with an offset to non-controlling interests.

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

19 Non-controlling interests

19.3 Summarised financial information

Set out below is summarised financial information for each subsidiary that has non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations. Also, refer to Note 39 for other details of the subsidiaries.

	As at 31 December 2017								
	YANSAB	ARRAZI	YANPET	SADAF	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Current assets	6,582,991	1,668,841	4,795,571	-	8,867,168	4,439,751	2,050,745	1,192,281	6,811,410
Current liabilities	2,323,147	583,217	1,899,696	-	1,647,884	2,969,987	1,046,139	785,304	3,350,402
Current net assets	4,259,844	1,085,624	2,895,875	-	7,219,284	1,469,764	1,004,606	406,977	3,461,008
Non-current assets	13,181,539	2,832,730	4,418,245	-	14,656,409	13,611,878	4,356,819	7,154,587	33,499,880
Non-current liabilities	703,953	854,018	983,466	-	2,716,243	5,798,158	4,016,225	700,939	23,052,842
Non-current net assets	12,477,586	1,978,712	3,434,779	-	11,940,166	7,813,720	340,594	6,453,648	10,447,038
Net Assets	16,737,430	3,064,336	6,330,654	-	19,159,450	9,283,484	1,345,200	6,860,625	13,908,046
Accumulated non-controlling interests (i)	7,898,003	1,393,102	3,027,742	-	9,003,506	4,419,052	631,311	3,645,208	8,555,340

(i) Accumulated non-controlling interests includes adjustments such as intergroup profit elimination, absorption of income tax in non-controlling interests and others.

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

19 Non-controlling interests (continued)

19.3 Summarised financial information (continued)

	As at 31 December 2016								
	YANSAB	ARRAZI	YANPET	SADAF	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Current assets	6,369,992	1,809,315	4,756,792	2,370,421	7,017,291	4,447,841	1,618,136	1,440,161	6,062,386
Current liabilities	2,531,248	523,654	1,376,326	1,241,552	1,466,239	2,283,021	1,367,677	878,060	3,451,708
Current net assets	3,838,744	1,285,661	3,380,466	1,128,869	5,551,052	2,164,820	250,459	562,101	2,610,678
Non-current assets	13,815,797	2,879,989	4,622,620	4,775,600	15,485,094	13,609,461	5,207,833	6,787,486	34,968,152
Non-current liabilities	1,598,997	874,486	975,833	1,367,536	2,971,175	7,094,467	8,054,067	682,536	24,327,480
Non-current net assets	12,216,800	2,005,503	3,646,787	3,408,064	12,513,919	6,514,994	(2,846,234)	6,104,950	10,640,672
Net Assets	16,055,544	3,291,164	7,027,253	4,536,933	18,064,971	8,679,814	(2,595,775)	6,667,051	13,251,350
Accumulated non-controlling interests	7,714,689	1,645,582	3,513,627	2,268,467	9,032,486	4,339,907	(1,347,986)	3,800,886	8,613,378

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

19 Non-controlling interests (continued)

19.3 Summarised financial information (continued)

	For the year ended 31 December 2017								
	YANSAB	ARRAZI	YANPET	SADAF	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Revenue	7,220,906	3,631,472	7,510,101	-	10,066,000	7,910,236	5,704,262	2,759,455	9,983,926
Net income/(loss) for the year	2,376,365	1,778,390	2,993,537	-	2,735,429	1,604,213	(608,807)	878,628	668,174
Other comprehensive income/*(loss)*	(6,978)	(1,699)	7,378	-	(5,814)	(2,219)	1,088	44,113	(11,473)
Total comprehensive income/(loss)	2,369,387	1,776,691	3,000,915	-	2,729,615	1,601,994	(607,719)	922,741	656,701
Net income / (loss) attributable to non-controlling interests (i)	996,942	787,865	1,496,174	-	1,150,915	856,623	(316,182)	429,438	352,992
Dividends paid to non-controlling interests	793,083	1,080,100	1,996,505	-	814,688	540,229	-	415,698	-

	For the year ended 31 December 2016								
	YANSAB	ARRAZI	YANPET	SADAF	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Revenue	6,230,643	2,803,055	6,375,211	5,625,852	9,327,358	6,600,815	4,387,849	2,855,924	8,608,817
Net income/(loss) for the year	2,344,362	980,701	2,529,759	882,677	2,662,970	1,666,595	(1,845,903)	1,035,948	152,057
Other comprehensive income	7,373	26,214	56,610	20,190	21,863	9,658	17,058	261,936	12,497
Total comprehensive income/(loss)	2,351,735	1,006,915	2,586,369	902,867	2,684,833	1,676,253	(1,828,845)	1,297,884	164,554
Net income/(loss) attributable to non-controlling interests	1,126,466	490,351	1,264,880	441,339	1,331,485	833,298	(958,577)	590,594	98,837
Dividends paid to non-controlling interests	660,902	679,983	1,459,528	389,813	1,624,559	521,032	-	1,068,937	-

(i) Net income/(loss) attributable to non-controlling interests includes adjustments such as intergroup profit elimination, absorption of income tax in non-controlling interests and others.

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

19 Non-controlling interests (continued)

19.3 Summarised financial information (continued)

	Year ended 31 December 2017								
	YANSAB	AR RAZI	YANPET	SADAF	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Cash flow from operating activities	3,235,901	2,110,365	3,900,893	-	3,325,029	2,051,289	432,166	1,395,787	3,592,324
Cash flow from investing activities	(716,755)	(303,434)	(314,653)	-	(425,839)	(863,816)	(291,734)	(703,277)	(905,316)
Cash flow from financing activities	(3,143,125)	(1,873,585)	(3,777,386)	-	(1,779,483)	(1,604,184)	(160,972)	(732,898)	(1,560,010)
Net increase/(decrease) in cash and cash equivalents	(623,979)	(66,654)	(191,146)	-	1,119,707	(416,711)	(20,540)	(40,388)	1,126,998

	Year ended 31 December 2016								
Cash flow from operating activities	3,166,871	1,309,043	2,791,779	1,412,062	3,157,657	2,248,181	109,246	1,562,516	1,859,013
Cash flow from investing activities	712,984	(200,641)	(286,267)	(644,985)	(525,812)	(1,454,106)	(142,312)	(833,619)	(883,354)
Cash flow from financing activities	(2,867,373)	(864,351)	(2,919,056)	(814,812)	(4,566,601)	(695,177)	23,214	(1,872,897)	(1,295,134)
Net increase/(decrease) in cash and cash equivalents	1,012,482	244,051	(413,544)	(47,735)	(1,934,756)	98,898	(9,852)	(1,144,000)	(319,475)

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

20 Debt

	Interest rate	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Current				
Shot-term borrowings	USD LIBOR variable rate	**1,065,000**	-	428,201
Current portion of long-term debt	SAIBOR and USD LIBOR	**8,535,254**	10,132,989	11,188,859
Obligations under finance leases (Note 36)	5.7% to 9.6%	**93,301**	78,973	114,241
Bonds	2.63%	**3,744,901**	-	-
Debt notes	SAIBOR variable rate	**3,000,000**	3,000,000	2,000,000
		15,373,456	13,211,962	13,303,100
Non-current				
Long-term debt	SAIBOR and USD LIBOR	**35,500,304**	37,449,506	44,504,226
Obligations under finance leases (Note 36)	5.7% to 9.6%	**771,712**	776,396	862,362
Debt notes	SAIBOR variable rate	**2,000,000**	5,000,000	8,000,000
Bonds	2.75%	**3,352,716**	6,671,885	6,772,500
		41,624,732	49,897,787	60,139,088
Total debt		**58,063,188**	63,109,749	73,870,389

Long-term debt
The Group obtained conventional and other loans in order to finance its investments, which are repayable in conformity with the applicable loan agreements at varying interest rates. Certain subsidiaries' property, plant and equipment have been pledged against their respective loans (see Note 7).

The Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF") term loans are repayable in semi-annual instalments. PIF loans carry financing cost at varying rates and SIDF loans have an up front and annual administrative fees cost under their loans agreements.

Bonds
The following bonds were outstanding as of 31 December 2017:

- On 3 October 2013, SABIC Capital II B.V., a subsidiary of SABIC Luxemburg S.a.r.l., issued a 5 year $ 1 billion bond with a coupon rate of 2.625%. The proceeds were used to repay external debt which have been reclassified under current portion of long-term debt as at 31 December 2017.

- On 20 November 2013, SABIC Capital I B.V. issued a 7 year € 750 million bond with a coupon rate of 2.75%.

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

20 Debt (continued)

Debt notes

On 29 December 2009, SABIC entered into an agreement with PIF for a private placement of unsecured Saudi Riyal notes amounting to SR 10 billion with multiple tranches. Such tranches are fully drawn down and have a bullet maturity after 7 years for each tranche of their respective issuance. As at 31 December 2017, two tranches maturing in 2018 amounting to SR 3 billion have been reclassified under current portion of long-term debt.

The aggregate repayment schedule of long-term debt is as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Within one year	**16,345,155**	8,720,920	13,617,060
1-2 years	**6,676,568**	12,329,393	7,119,044
2-5 years	**26,970,381**	25,951,732	18,538,219
Thereafter	**7,206,071**	15,252,335	33,619,463
	57,198,175	62,254,380	72,893,786
Lease obligation (Note 36)	**865,013**	855,369	976,603
Total	**58,063,188**	63,109,749	73,870,389

21 Employee benefits

The provision for employee benefits can be broken down as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Defined Benefit Obligations			
End of service benefits	**12,846,175**	12,046,025	12,121,331
Defined benefits pension schemes	**2,690,085**	2,842,845	2,325,244
Post-retirement medical benefits	**1,038,172**	720,314	686,600
	16,574,432	15,609,184	15,133,175
Other long term employee benefits and termination benefits			
Early retirement plans	**49,937**	62,393	327,862
Long-term service awards	**155,227**	132,023	121,496
Others	**855,440**	580,451	520,431
	1,060,604	774,867	969,789
	17,635,036	16,384,051	16,102,964

21 Employee benefits (continued)

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering defined contribution pensions to new-hires in most countries. Additionally, in recent years, many of the defined benefit plans have been closed to future benefit accrual.

End of service benefits

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service in the current and prior periods. This amount is then discounted using an appropriate discount rate to determine the present value of the Group's obligation. This is an unfunded benefit.

Re-measurements are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

End of service obligations are subject to demographic and legal risks.

Defined benefit pension plans

SABIC's Global Pension Committee monitors the risks of all pension plans of the Group and issues guidelines regarding the governance and risk management of pension plans, particularly with regard to the funding of the pension plans. The obligations and the plan assets used to fund the obligations are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets. In previous years, measures were taken to close plans with defined benefits for future service. This led to a reduction in risk with regard to future benefit levels

The Group has a number of defined benefit pension plans outside KSA. The most significant plans are located in the United States of America ("USA") and in the United Kingdom ("UK"). These plans are both funded pension plans. Other pension plans include the unfunded plans in Germany, Austria, and Japan and funded plans in Taiwan, Canada, France and Belgium. The benefits provided by these pension plans are based primarily on years of service and employees' compensation.

The funding of the plans is consistent with local requirements in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements in many countries. Furthermore, there are restrictions in qualitative and quantitative terms for the investment in different asset categories. This could result in fluctuating employer contributions, financing requirements and the assumption of obligations in favour of the pension fund to comply with the regulatory requirements.

21 Employee benefits (continued)

Defined benefit pension plans (continued)

Below is a brief description of the Group's main defined benefit pension plans:

United States of America
In the USA, the Group offers a defined benefit pension plan. This plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The funding policy for the US Plans is to make regular contributions each year in such amounts that are necessary to meet or exceed the minimum funding standard as set forth in employee benefit and tax laws in USA. As of 1 January 2014, the US Plan was closed for new participants. Employees who were already participants in the US plan as of 31 December 2013 continue to accrue benefits. The primary contributors to the total change in liabilities were a decrease resulting from fewer plan participants and an increase resulting from new mortality assumptions.

These defined benefit pension plans are administered by fiduciaries, who represents the interests of the beneficiaries and ensure that the benefits can be paid in the future.

United Kingdom
Group companies maintain final salary pension plans in UK which have been closed to further increases in benefits for future years of service. A part of the workforce still receives benefit increases linked to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

The defined benefit pension plans are administered by trusts, whose Boards of Trustees, according to the trustees' agreement and law, represents the interests of the beneficiaries and ensures that the benefits can be paid in the future. The required funding is determined using technical valuations according to local regulations every three years. Pensions are adjusted each year to compensate for increases in the cost of living.

Other long-term employee benefits

Early retirement plans
Employee early retirement plan costs are provided for in accordance with the Group's policies and are charged to the consolidated statement of income in the year the employee accepts a retirement offer. If an instalment based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation which can be up to the regular retirement age of the employee.

Long-term service awards
The Group offers a long-term service award depending on years of service. This is measured similarly to a DBO, however, any re-measurement is recognised in the current year consolidated statement of income.

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

21 Employee benefits (continued)

The following table represents the movement of the DBO:

	For the year ended 31 December 2017	For the year ended 31 December 2016
At the beginning of the year	15,596,799	15,133,175
Current service cost	1,290,975	1,332,165
Past service cost	44,175	(26,875)
Finance cost, net of finance income	581,024	607,437
Actuarial changes arising due to:		
- financial assumptions	(21,966)	977,076
- demographic changes	(37,125)	(88,516)
- experience adjustments	95,005	(635,366)
- actual return on plan assets	(249,147)	(199,477)
	(213,233)	53,717
Payments during the year	(576,018)	(1,131,816)
Contributions into pension plans	(365,015)	(243,724)
Foreign currency translation adjustment and others	193,250	(127,280)
	16,551,957	15,596,799
Reclassification as net pension asset	22,475	12,385
At the end of the year	16,574,432	15,609,184

Following table represents the components of the employee benefits in the KSA:

	For the year ended 31 December 2017		
	End of service	Post-retirement medical	Total
At the beginning of the year	12,046,025	277,738	12,323,763
Current service cost	1,043,387	23,496	1,066,883
Finance cost	464,664	9,776	474,440
Actuarial changes arising due to:			
- financial assumptions	(82,200)	35,772	(46,428)
- experience adjustments	(78,379)	254,453	176,074
	(160,579)	290,225	129,646
Payments during the year	(561,757)	(14,351)	(576,108)
Others	14,435	2,579	17,014
At the end of the year	12,846,175	589,463	13,435,638

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

21 Employee benefits (continued)

	For the year ended 31 December 2016		
	End of service	Post-retirement medical	Total
At the beginning of the year	12,121,331	245,311	12,366,642
Current service cost	1,065,464	22,596	1,088,060
Finance cost	480,727	9,266	489,993
Actuarial changes arising due to:			
- financial assumptions	123,570	14,881	138,451
- experience adjustments	(632,408)	(121)	(632,529)
	(508,838)	14,760	(494,078)
Payments during the year	(1,112,659)	(14,195)	(1,126,854)
At the end of the year	12,046,025	277,738	12,323,763

Following table represents the components of the DBO outside KSA at 31 December 2017:

	For the year ended 31 December 2017			
	USA	UK	Others	Total
At the beginning of the year	3,040,708	2,835,871	854,189	6,730,768
Current service costs	200,498	-	23,594	224,092
Past service costs	18,307	12,960	12,908	44,175
Finance costs	119,284	79,250	20,814	219,348
Benefits paid	(251,914)	(180,253)	(35,019)	(467,186)
Participants' contributions	-	-	211	211
Actuarial changes arising due to:				
- financial assumptions	208,541	(156,096)	(27,983)	24,462
- demographic changes	(37,064)	-	(61)	(37,125)
- experience adjustments	(70,516)	-	(10,553)	(81,069)
	100,961	(156,096)	(38,597)	(93,732)
Foreign currency	-	258,478	108,252	366,730
	3,227,844	2,850,210	946,352	7,024,406
Reclassification as net pension asset	-	-	(235,349)	(235,349)
At the end of the year	3,227,844	2,850,210	711,003	6,789,057

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

21 Employee benefits (continued)

The development of plan assets for major plans in the different regions is elaborated in the below table:

	For the year ended 31 December 2017			
	USA	UK	Others	Total
Plan assets as at start of the year	1,246,675	1,969,282	241,775	3,457,732
Finance income	47,675	55,509	9,580	112,764
Employers' contribution	293,453	43,276	28,497	365,226
Actual return on plan assets	143,180	89,562	16,405	249,147
Benefits paid	(251,915)	(180,253)	(35,108)	(467,276)
Administrative expenses	(15,649)	-	(506)	(16,155)
Foreign currency	-	188,163	18,486	206,649
	1,463,419	2,165,539	279,129	3,908,087
Reclassification as net pension assets	-	-	(257,824)	(257,824)
Plan assets at end of the year	1,463,419	2,165,539	21,305	3,650,263
Defined benefit obligation, net	1,764,425	684,671	689,698	3,138,794

Following table represents the components of the DBO outside KSA at 31 December 2016:

	For the year ended 31 December 2016			
	USA	UK	Others	Total
At the beginning of the year	2,751,729	2,741,130	865,654	6,358,513
Current service costs	219,313	-	24,792	244,105
Past service costs	(13,800)	-	(13,075)	(26,875)
Finance costs	113,491	99,306	23,884	236,681
Benefits paid	(147,007)	(70,474)	(114,494)	(331,975)
Actuarial changes arising due to:				
- financial assumptions	80,239	677,071	81,315	838,625
- demographic changes	(10,459)	(78,034)	(23)	(88,516)
- experience adjustments	47,202	(48,438)	(1,601)	(2,837)
	116,982	550,599	79,691	747,272
Foreign currency	-	(484,690)	(12,263)	(496,953)
	3,040,708	2,835,871	854,189	6,730,768
Reclassification as net pension asset	-	-	(210,858)	(210,858)
At the end of the year	3,040,708	2,835,871	643,331	6,519,910

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

21 Employee benefits (continued)

The development of plan assets for major plans in the different regions is elaborated in the below table:

	For the year ended 31 December 2016			
	USA	UK	Others	Total
Plan assets as at start of the year	1,151,559	2,143,394	297,027	3,591,980
Finance income	47,622	76,888	10,658	135,168
Contributions into the plan	194,169	14,494	35,061	243,724
Actual return on plan assets	15,711	181,597	2,169	199,477
Benefits paid	(147,007)	(70,474)	(109,532)	(327,013)
Administrative expenses	(15,379)	-	(552)	(15,931)
Foreign currency	-	(376,617)	6,944	(369,673)
	1,246,675	1,969,282	241,775	3,457,732
Reclassification of net pension assets	-	-	(223,243)	(223,243)
Plan assets at end of the year	1,246,675	1,969,282	18,532	3,234,489
Defined benefit obligation, net	1,794,033	866,589	624,799	3,285,421

	For the year ended 31 December 2017	For the year ended 31 December 2016
Net benefit expense		
Service cost including past service	**1,335,150**	1,305,290
Finance cost, net	**581,024**	607,437
	1,916,174	1,912,727

Employee pension plan assets

Following table represents the categories of plan assets for major pension plans outside KSA:

	As at 31 December 2017		
	USA	UK	Others
Quoted and unquoted			
Equity	38.86%	33.67%	39.90%
Debt securities	48.46%	24.25%	54.05%
- Government debtors	-	*23.22%*	*54.05%*
- Other debtors	*48.46%*	*1.03%*	-
Investment funds and insurance companies	-	23.04%	1.41%
Other investments	9.90%	17.28%	4.64%
Cash and cash equivalents	2.78%	1.76%	-
Total	100.00%	100.00%	100.00%

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

21 Employee benefits (continued)

Employee pension plan assets (continued)

	As at 31 December 2016		
	USA	UK	Others
Quoted and unquoted			
Equity	40.56%	33.64%	40.00%
Debt securities	48.22%	25.88%	52.40%
- Government debtors	*48.22%*	*24.91%*	*52.40%*
- Other debtors	-	*0.97%*	-
Investment funds and insurance companies	-	22.48%	6.10%
Other investments	9.57%	15.53%	1.50%
Cash and cash equivalents	1.65%	2.47%	-
Total	100.00%	100.00%	100.00%

	As at 1 January 2016		
	USA	UK	Others
Quoted and unquoted			
Equity	39.00%	40.95%	42.00%
Debt securities	49.00%	34.27%	28.30%
- Government debtors	-	*33.37%*	*28.30%*
- Other debtors	*49.00%*	*0.90%*	-
Investment funds and insurance companies	-	12.41%	29.70%
Other investments	10.00%	12.03%	-
Cash and cash equivalents	2.00%	0.34%	-
Total	100.00%	100.00%	100.00%

Major economic and actuarial assumptions used in benefits liabilities computation:

	As at 31 December 2017		
	KSA	USA	UK
Discount rate	3.60%	3.70%	2.70%
Average salary increase	5.00% to 7.00%	3.28%	2.76%
Pension in payment increase	NA	-	3.15%
Inflation rate (health care cost)	10% in 2018 decrease to 5% for 2023+	NA	NA

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

21 Employee benefits (continued)

	As at 31 December 2016		
	KSA	USA	UK
Discount rate	4.00%	3.94%	2.70%
Average salary increase	5.00% to 7.00%	3.35%	2.86%
Pension in payment increase	NA	-	3.40%
Inflation rate (health care cost)	10% in 2017 decrease to 5% for 2021+	NA	NA

	As at 1 January 2016		
	KSA	USA	UK
Discount rate	4.10%	4.23%	4.00%
Average salary increase	5.00% to 7.00%	3.36%	3.40%
Pension in payment increase	NA	-	3.40%
Inflation rate (health care cost)	10% in 2016 decrease to 5% for 2021+	NA	NA

* NA = Not applicable

Sensitivity analysis

The table below illustrates the approximate impact on the DBO if the Group were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total DBO. The sensitivities only apply to the DBO and not to the net amounts recognised in the statement of financial position. Movements in the fair value of plan assets would, to a certain extent, be expected to offset movements in the DBO resulting from changes in discount rates.

	As at 31 December 2017			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(362,579)	(138,858)	(150,558)	(36,689)
Salary (+25 bps)	313,884	16,841	34,170	9,370
Pension (+25 bps)	NA	-	112,018	NA
Longevity (+1 year)	NA	42,608	80,372	NA
Health care costs (+25 bps)	21,255	NA	NA	NA
Decrease				
Discount rate (-25 bps)	338,388	147,656	162,140	39,109
Salary (-25 bps)	(341,056)	(16,546)	(33,309)	(15,291)
Pension (-25 bps)	NA	-	(105,766)	NA
Longevity (-1 year)	NA	(44,040)	(79,939)	NA
Health care costs (-25 bps)	(20,268)	NA	NA	NA

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

21 Employee benefits (continued)

Sensitivity analysis (continued)

	As at 31 December 2016			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(302,556)	(130,173)	(154,160)	(36,102)
Salary (+25 bps)	323,600	17,216	32,633	8,043
Pension (+25 bps)	NA	NA	113,931	NA
Longevity (+1 year)	NA	39,193	83,700	NA
Health care costs (+25 bps)	10,082	NA	NA	NA
Decrease				
Discount rate (-25 bps)	344,059	138,924	166,242	38,300
Salary (-25 bps)	(284,716)	(16,854)	(31,812)	(10,197)
Pension (-25 bps)	NA	NA	(107,532)	NA
Longevity (-1 year)	NA	(40,522)	(84,379)	NA
Health care costs (-25 bps)	(9,623)	NA	NA	NA

	As at 1 January 2016			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(308,844)	(115,871)	(145,644)	(33,853)
Salary (+25 bps)	302,760	16,487	42,970	8,162
Pension (+25 bps)	NA	NA	101,594	NA
Longevity (+1 year)	NA	46,619	64,561	NA
Health care costs (+25 bps)	9,147	NA	NA	NA
Decrease				
Discount rate (-25 bps)	321,743	123,399	156,727	36,088
Salary (-25 bps)	(292,380)	(16,224)	(41,881)	(7,849)
Pension (-25 bps)	NA	NA	(96,018)	NA
Longevity (-1 year)	NA	(46,731)	(64,700)	NA
Health care costs (-25 bps)	(8,732)	NA	NA	NA

* NA = Not applicable

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

21 Employee benefits (continued)

Expected future benefit payments

	As at 31 December 2017	
	KSA	Outside KSA
Within one year	720,507	371,901
1 – 2 years	665,140	397,270
2 – 3 years	741,461	419,623
3 – 4 years	839,591	444,219
4 – 5 years	901,619	472,071
5 -10 years	5,920,141	2,724,245
Total	9,788,459	4,829,329

	As at 31 December 2016	
	KSA	Outside KSA
Within one year	696,647	252,139
1 – 2 years	652,078	199,009
2 – 3 years	678,474	211,781
3 – 4 years	763,605	234,094
4 – 5 years	844,506	250,185
5 -10 years	5,771,176	1,532,126
Total	9,406,486	2,679,334

	As at 1 January 2016	
	KSA	Outside KSA
Within one year	672,088	195,941
1 – 2 years	687,511	217,316
2 – 3 years	775,913	234,859
3 – 4 years	808,062	253,808
4 – 5 years	885,730	272,336
5 -10 years	5,947,535	1,651,571
Total	9,776,839	2,825,831

The expected employer contributions related to the defined benefit pension plans for next year amount to SR 0.14 billion (2016: SR 0.15 billion).

The weighted average duration of the defined benefit obligation is 12 years for KSA plans, 20 years for plans outside KSA (31 December 2016: 10 years for KSA plans, 20 years for plans outside KSA, 1 January 2016: 10 years for KSA plans, 19 years for plans outside KSA).

Annual premiums paid to defined contribution schemes amount to SR 0.33 billion (2016: SR 0.36 billion) and relate primarily to defined contribution pension schemes in the Netherlands.

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

22 Trade payables

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Trade accounts payable	17,886,738	16,328,810	16,475,376
Amounts due to related parties	174,726	40,024	39,810
	18,061,464	16,368,834	16,515,186

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in note 35.

23 Accruals and other current liabilities

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Accrued liabilities	5,087,427	4,422,428	4,460,626
Employees related liabilities	1,904,510	1,724,035	1,998,261
Dividend payable	1,633,220	1,225,636	1,139,393
Contract retentions	227,109	374,559	425,710
Others	968,101	917,145	2,162,071
	9,820,367	8,663,803	10,186,061

24 Derivatives

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Derivative asset:			
Not designated in hedging relationship			
- Foreign exchange forward contracts	2,828	49,821	27,821
- Interest rate collar derivatives – current	3,472	16,003	5,515
- Interest rate collar derivatives – non-current	20,506	18,773	7,790
Total financial derivatives	26,806	84,597	41,126
Notional amount	1,070,622	2,265,750	3,219,375
Derivative liability:			
Not designated in hedging relationship			
- Interest rate swap agreements – current	14,258	52,558	102,758
- Interest rate swap agreements – non-current	1,978	17,742	52,343
Total financial derivatives	16,236	70,300	155,101
Notional amount	716,645	1,595,438	2,308,200

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

25 Sales

	For the year ended 31 December 2017	For the year ended 31 December 2016
Sales of goods	149,242,828	142,549,900
Rendering of services	523,140	448,927
	149,765,968	142,998,827

26 Cost and expenses

Based on the nature of the cost of sales, selling and distribution expenses and general and administrative expenses include the following items for the year ended:

26.1 Cost of sales

	For the year ended 31 December 2017	For the year ended 31 December 2016
Changes in inventories of finished products, raw materials and consumables used	71,956,479	67,531,194
Employee related costs	12,178,000	12,151,674
Depreciation of plant and equipment	13,268,321	13,207,032
Impairment and write down of plant and equipment	1,563,603	2,189,866
Amortisation of intangible assets	818,741	679,371
	99,785,144	95,759,137

26.2 General and administrative expenses

	For the year ended 31 December 2017	For the year ended 31 December 2016
Employee related costs	5,833,505	5,411,794
Research and technology cost	1,130,223	2,015,249
Professional services	693,859	526,488
Depreciation and amortisation	684,394	740,738
Repairs and maintenance	346,865	365,538
Office supplies	286,935	480,977
Rates and taxes	149,284	157,490
Communication	143,319	128,151
Others	1,374,516	1,389,416
	10,642,900	11,215,841

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

26 Cost and expenses (continued)

26.3 Selling and distribution expenses

	For the year ended 31 December 2017	For the year ended 31 December 2016
Transportation and shipping	7,975,075	7,848,205
Employee related costs	979,818	1,059,805
Depreciation	74,328	73,985
Others	1,310,316	1,171,757
	10,339,537	10,153,752

27 Finance cost

	For the year ended 31 December 2017	For the year ended 31 December 2016
Finance cost on loans and borrowings	1,748,692	1,359,019
Finance cost related to defined benefit plans	581,024	607,437
	2,329,716	1,966,456

28 Other income, net

	For the year ended 31 December 2017	For the year ended 31 December 2016
Insurance claims	279,973	227,127
Foreign currency exchange differences	200,921	(61,485)
Dividend income from AFS investments	44,364	3,132
Rental income	39,831	51,748
Loss on disposal of property, plant and equipment	(88,512)	(47,228)
Others	(187,240)	650,601
	289,337	823,895

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

29 Zakat and income tax

The movement in Group's zakat and income tax payable is as follows:

	For the year ended 31 December 2017		
	Zakat	Income Tax	Total
As at 1 January 2017	2,386,336	749,360	3,135,696
Provided during the year	2,600,000	1,466,329	4,066,329
Paid during the year, net	(2,367,196)	(855,710)	(3,222,906)
As at 31 December 2017	2,619,140	1,359,979	3,979,119

	For the year ended 31 December 2016		
	Zakat	Income Tax	Total
As at 1 January 2016	1,633,473	731,419	2,364,892
Provided during the year	3,000,000	1,149,146	4,149,146
Paid during the year, net	(2,247,137)	(1,131,205)	(3,378,342)
As at 31 December 2016	2,386,336	749,360	3,135,696

The movement in Group's deferred tax is as follows:

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
At the beginning of the year	1,522,837	2,703,436	690,338	2,147,273
Changes during the year *	(4,238)	(106,377)	832,499	556,163
At the end of the year	1,518,599	2,597,059	1,522,837	2,703,436

* includes impact of foreign exchanges translation and non-controlling interests

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

29 Zakat and income tax (continued)

29.1 Zakat

The zakat is based on the consolidated financial statements of the Group.

The Zakat returns of SABIC and its wholly owned subsidiaries are submitted to the General Authority of Zakat and Tax (GAZT) based on separate financial statements prepared for Zakat purposes only. Other partially owned subsidiaries within KSA file their zakat returns separately.

SABIC has filed its consolidated zakat returns with GAZT and received the final zakat certificates up to the year ended 31 December 2016. SABIC has finalised its zakat assessment up to year ended 31 December 2015.

29.2 Income Tax

The major components of income tax in the consolidated statement of income can be broken down as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Current corporate income tax		
Current year and adjustments of previous year	1,466,329	1,149,146
Deferred corporate income tax		
Origination and reversal of temporary differences	73,671	(276,336)
Total income tax expense reported in the consolidated statement of income	1,540,000	872,810

SABIC has filed corporate and local income tax returns in various foreign jurisdictions that it operates in. For most of the jurisdictions, the fiscal years as from 2013 and onwards have not yet been finally assessed by the local tax authorities.

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

29 Zakat and income tax (continued)

29.2 Income Tax (continued)

	For the year ended 31 December 2017	For the year ended 31 December 2016
Deferred tax related to items recognised in OCI during the year		
- Remeasurement (gain)/loss on defined benefit plans	(61,349)	71,553
	(61,349)	71,553

The numerical reconciliation of income tax expense derived from the accounting profit is presented in the table below:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Income before zakat and income tax	29,624,745	27,250,743
Exclude: income subject to zakat	(23,521,746)	(17,540,604)
Income before income tax	6,102,999	9,710,139
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	1,220,600	1,942,028
Tax effects of:		
- Current year tax benefits not recognised	498,436	445,140
- Foreign currency translation results	433,424	(111,691)
- Deviating rates	280,638	113,970
- Tax rate change	(118,201)	(8,093)
- Tax charge due to other liabilities	12,739	177,632
- Non-taxable income	(74,551)	(301,350)
- Non-tax deductible expenses	62,667	50,595
- Recognition of previously unrecognised tax benefits	(818,022)	(1,476,799)
- Withholding tax	30,120	32,989
- State, local and other taxes	12,150	8,389
Income tax expense	1,540,000	872,810
Zakat expense	2,600,000	3,000,000
Total income tax and zakat expense	4,140,000	3,872,810

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

29 Zakat and income tax (continued)

29.2 Income Tax (continued)

Components of deferred tax are as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
- Tangible and intangible assets	(3,200,976)	(3,638,242)	(3,068,314)
- Inventories	(27,413)	(53,506)	(7,920)
- Reserves	(195,011)	(140,198)	(155,100)
- Others	(27,011)	(42,642)	(19,921)
Deferred tax liabilities	(3,450,411)	(3,874,588)	(3,251,255)
Set-off with deferred tax assets	853,352	1,171,152	1,103,982
Net deferred tax liabilities	(2,597,059)	(2,703,436)	(2,147,273)
- Net operating losses	6,824,447	7,652,584	7,686,599
- Tangible and intangible assets	320,871	101,012	171,617
- Employee benefits	967,003	1,349,877	1,012,327
- Deferred charges	164,163	453,015	563,684
- Provisions on receivables and inventories	286,524	463,269	583,890
- Tax credits	151,241	125,719	145,184
- Others	41,512	19,060	63,558
Deferred tax assets	8,755,761	10,164,536	10,226,859
Unrecognised deferred tax assets	(6,383,810)	(7,470,547)	(8,432,539)
Set-off with deferred tax liabilities	(853,352)	(1,171,152)	(1,103,982)
Net deferred tax assets	1,518,599	1,522,837	690,338

The Group offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes relate to the same tax authority.

At 31 December 2017, the Group has SR 25.25 billion (2016: SR 25.81 billion) of tax losses carry forwards that are available to be applied against future taxable profits of the companies in which the losses arose. In certain jurisdictions, these tax losses are pending completion of tax filings and/or acceptance of tax filings by tax authorities.

30 Earnings per share

Earnings per share is calculated by dividing net income for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares during the year.

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

	For the year ended 31 December 2017	For the year ended 31 December 2016
Income from operations for the year (SR '000)	**28,998,387**	25,870,097
Net income attributable to equity holders of the Parent (SR '000)	**18,430,236**	17,613,609
Weighted average number of ordinary shares ('000)	**3,000,000**	3,000,000
Earnings per share from income from operations	**9.67**	8.62
Earnings per share from net income attributable to equity holders of the Parent	**6.14**	5.87

There has been no item of dilution affecting the weighted average number of ordinary shares.

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

31 Fair value measurement

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

	Carrying value	Fair value	Level 1	Level 2	Level 3
	As at 31 December 2017				
Financial assets					
AFS financial assets					
- at cost *	396,817	-	-	-	-
- at fair value	299,426	299,426	20	299,406	-
	696,243	299,426	20	299,406	-
Derivative financial instruments					
- interest rate collar derivatives	23,978	23,978	-	23,978	-
- foreign exchange forward contracts	2,828	2,828	-	2,828	-
	26,806	26,806	-	26,806	-
Held-to-maturity investments **					
- less than one year	390,320	391,869	-	391,869	-
- more than one year	3,055,161	3,464,241	-	3,464,241	-
	3,445,481	3,856,110	-	3,856,110	-
	As at 31 December 2016				
Financial assets					
AFS financial assets					
- at cost *	356,720	-	-	-	-
- at fair value	336,678	336,678	42,480	294,198	-
	693,398	336,678	42,480	294,198	-
Derivative financial instruments					
- interest rate collar derivatives	34,776	34,776	-	34,776	-
- foreign exchange forward contracts	49,821	49,821	-	49,821	-
	84,597	84,597	-	84,597	-
Held-to-maturity investments **					
- less than one year	409,045	409,787	-	409,787	-
- more than one year	3,476,590	3,856,319	-	3,856,319	-
	3,885,635	4,266,106	-	4,266,106	-

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

31 Fair value measurement (continued)

	Carrying value	Fair value	Level 1	Level 2	Level 3
			As at 1 January 2016		
Financial Assets					
AFS financial assets					
- at cost *	349,489	-	-	-	-
- at fair value	391,212	391,212	54,112	337,100	-
	740,701	391,212	54,112	337,100	-
Derivative financial instruments					
- interest rate collar derivatives	13,305	13,305	-	13,305	-
- foreign exchange forward contracts	27,821	27,821	-	27,821	-
	41,126	41,126	-	41,126	-
Held-to-maturity investments **					
- less than one year	302,500	300,839	-	300,839	-
- more than one year	3,680,347	3,775,294	-	3,775,294	-
	3,982,847	4,076,133	-	4,076,133	-

	Carrying value	Fair value	Level 1	Level 2	Level 3
			As at 31 December 2017		
Financial liabilities					
Derivative financial instruments	**16,236**	**16,236**	**-**	**16,236**	**-**
Current and non-current debt (excluding finance lease) **	**56,133,175**	**56,939,299**	**-**	**56,939,299**	**-**
	56,149,411	**56,955,535**	**-**	**56,955,535**	**-**
			As at 31 December 2016		
Financial liabilities					
Derivative financial instruments	70,300	70,300	-	70,300	-
Current and non-current debt (excluding finance lease) **	62,254,380	63,549,873	-	63,549,873	-
	62,324,680	63,620,173	-	63,620,173	-
			As at 1 January 2016		
Financial liabilities					
Derivative financial instruments	155,101	155,101	-	155,101	-
Current and non-current debt (excluding finance lease) **	72,465,585	74,000,495	-	74,000,495	-
	72,620,686	74,155,596	-	74,155,596	-

* This represents investments in unquoted equity shares of companies operating within and outside KSA. The fair value of these equity shares cannot be measured reliably since there is no active market available for these shares. SABIC intends to hold these investments for strategic purposes.

** Held-to-maturity investments and long-term debt are carried at amortised cost.

31 Fair value measurement (continued)

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2017 and the year ended 31 December 2016.

Management assessed that cash and short-term deposits, trade receivables, short-term borrowings, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the incurred losses of these receivables.

- Fair value of the quoted debt notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for the unquoted equity investments.

- Fair value of quoted AFS financial assets is derived from quoted prices in active markets.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

- In respect of derivative contracts recognised as liabilities, the Group's own risk of default is considered to be low, therefore credit risk adjustments were not reflected in determining the fair value of derivative liabilities.

- The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

- Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. However, as these contracts are not collateralised, the Group also takes into account the counterparties' non-performance risks (for the embedded derivative assets) or the Group's own non-performance risk (for the embedded derivative liabilities). As at 31 December 2017 and 31 December 2016, the Group assessed these risks to be insignificant.

- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2017 and 31 December 2016 was assessed to be insignificant.

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

32 Conventional and non-conventional financing and investments

The tables below outlines the breakdown of Group's financing and investments into conventional and non-conventional:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Cash and bank balances			
Conventional			
- Current accounts	12,554,488	9,904,825	8,075,573
- Fixed and time deposits	4,318,927	2,010,346	4,454,935
Conventional cash and bank balances	16,873,415	11,915,171	12,530,508
Non-conventional			
- Murabaha (including fixed term deposits)	40,083,654	27,128,019	25,008,542
-Current accounts (excluding fixed term deposits)	2,081,587	1,204,550	614,041
Non-conventional cash and bank balances	42,165,241	28,332,569	25,622,583
Total cash and bank balances	59,038,656	40,247,740	38,153,091
Short term and held-to-maturity investments			
Conventional			
- Structured deposits	390,320	731,250	585,562
- Bonds and floating rate notes	-	519	376,170
- Time deposits	123,963	3,312	-
Conventional short-term and held-to-maturity investments	514,283	735,081	961,732
Non-conventional			
- Murabaha - fixed time deposits	3,836,790	20,101,711	29,232,311
- Sukuk	2,264,636	2,220,175	3,019,785
- Murabaha - structured deposits	790,524	525,000	75,000
Non-Conventional short-term and held-to-maturity investments	6,891,950	22,846,886	32,327,096
Total short-term and held-to-maturity Investments	7,406,233	23,581,967	33,288,828

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

32 Conventional and non-conventional financing and investments (continued)

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
AFS financial assets			
- Mutual funds	299,407	294,198	337,100
- Equity investments	396,836	399,200	403,601
Conventional AFS investments	696,243	693,398	740,701
Total AFS financial assets	696,243	693,398	740,701
Short-term borrowings			
Conventional			
- Short-term loans and overdrafts	1,065,000	-	428,201
Total short-term borrowings	1,065,000	-	428,201
Debt			
Conventional			
- Loans and borrowings	22,369,890	23,365,293	34,370,795
- Bonds/notes	12,097,616	14,670,027	14,771,281
- Finance leases	771,711	854,420	952,643
Conventional debt	35,239,217	38,889,740	50,094,719
Non-conventional			
- Ijarah	5,073,886	3,604,476	4,312,155
- SIDF	1,511,714	2,208,501	2,472,573
- Sukuk	1,795,256	9,515,213	8,611,770
- Murabaha	13,378,115	8,891,819	7,950,971
Non-conventional debt	21,758,971	24,220,009	23,347,469
Total debt	56,998,188	63,109,749	73,442,188

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

32 Conventional and non-conventional financing and investments (continued)

	For the year ended 31 December 2017	For the year ended 31 December 2016
Borrowing cost capitalised during the year:		
- Conventional loans	362,475	188,908
- Bonds/notes	-	36,754
Borrowing costs capitalised from conventional loans	362,475	225,662
- Murabaha loans	102,482	26,272
Borrowing costs capitalised from non-conventional loans	102,482	26,272
Total borrowing cost capitalised during the year	464,957	251,934

	For the year ended 31 December 2017	For the year ended 31 December 2016
Finance income		
Conventional		
- Current account	3,838	4,285
- Time deposits	74,574	56,849
- Structured deposits	31,244	8,840
- Derivatives	54,064	96,707
- Others	24,665	32,963
Total conventional finance income	188,385	199,644
Non-conventional		
- Murabaha - fixed term deposits	949,056	1,330,726
- Sukuk	98,980	105,862
- Murabaha - structured deposits	10,636	5,688
- Others	-	5,352
Total non-conventional finance income	1,058,672	1,447,628
Total finance income	1,247,057	1,647,272
Finance cost		
Conventional		
- Loans and borrowings	669,872	493,563
- Bonds/notes	383,987	321,773
- Finance leases	91,889	57,570
- Derivative liabilities	10,797	-
- Net interest on employee benefits	581,024	607,437
- Others	124,759	100,388
Conventional finance cost	1,862,328	1,580,731

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

32 Conventional and non-conventional financing and investments (continued)

	For the year ended 31 December 2017	For the year ended 31 December 2016
Non-conventional		
- SIDF	61,331	75,581
- Murabaha	117,286	101,442
- Ijarah	288,771	207,044
- Others	-	1,658
Non-conventional financial expenses	467,388	385,725
Total finance cost	2,329,716	1,966,456

33 Related party transactions and balances

Interests in subsidiaries are disclosed in Note 39.

The following table provides the total amount of significant transactions that have been entered into with related parties during the years ended 31 December 2017 and 2016, as well as balances with related parties as at 31 December 2017, 31 December 2016 and 1 January 2016:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2017		As at 31 December 2017	
Associates	8,881	5,285,739	201,453	157,464
Joint ventures and partners	12,160,154	476,172	2,976,637	40,614

	As at 31 December 2017		
	Associates	Joint ventures and partners	Total
Loan from related parties	-	2,491,245	2,491,245
Loans to related parties	-	814,850	814,850

	For the year ended 31 December 2017		
	Associates	Joint ventures and partners	Total
Dividends paid to related parties	250,000	4,262,696	4,512,696
Dividends received from related parties	92,175	271,931	364,106

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2016		As at 31 December 2016	
Associates	34,286	4,622,651	4,456	4,463
Joint ventures and partners	11,765,510	470,911	3,305,790	65,989

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

33 Related party transactions and balances (continued)

	As at 31 December 2016		
	Associates	Joint ventures and partners	Total
Loan from related parties	-	2,930,944	2,930,944
Loans to related parties	-	652,527	652,527

	For the year ended 31 December 2016		
	Associates	Joint ventures and partners	Total
Dividends paid to related parties	325,000	3,704,198	4,029,198
Dividends received from related parties	496,019	162,912	658,931

	Amounts owed by related parties	Amounts owed to related parties
	As at 1 January 2016	
Associates	-	-
Joint ventures and partners	2,676,820	79,528

	As at 1 January 2016		
	Associates	Joint ventures and partners	Total
Loan from related parties	-	3,349,474	3,349,474
Loans to related parties	-	769,964	769,964

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at 31 December 2017 are unsecured, (including for comparative balances as at 31 December 2016 and at 1 January 2016) interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017 (including for comparative year 31 December 2016), 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.

	For the year ended 31 December 2017	For the year ended 31 December 2016
Purchases of goods and services	**31,612,060**	26,660,839
Sales of goods and services	**6,660,941**	5,851,204
Due to entities controlled by Saudi government	**1,618,469**	1,395,900
Due from entities controlled by Saudi government	**756,573**	529,409

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

33 Related party transactions and balances (continued)

Key management personnel compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of SABIC, directly or indirectly, including senior management and board of directors (executive or otherwise).

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration for the years ended 31 December 2017 and 2016 of key management can be detailed as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Short-term employee benefits	43,501	61,057
Post-employment benefits	8,556	13,716
Termination benefits	41,265	130,678
Other long-term benefits	4,048	4,419
Total	97,370	209,870

Short-term benefits include fees, salaries, paid leaves and other benefits to directors. It also includes directors' remunerations amounting to SR 1.8 million. Long-term benefits include employee end of service benefits. Under the Group's policy, the key management personnel are entitled to receive a house loan facility on similar terms to other employees.

34 Segment information

For management purpose, the Group is organised into Strategic Business Units (SBUs), based on its products, and has four SBUs, as described below and as grouped in three reporting segments, financial details of those follow beneath:

The **Petrochemicals** segment - products are produced from hydrocarbon feedstock including methane, ethane, propane, butane, and light naphtha, with a wide range of products including carbon dioxide, ethylene, methyl tert-butyl ether and other chemicals. During 2016, products related to polymers were merged into a single segment with chemical products. These included Polyethylene (PE) and Polypropylene (PP). The PE range includes all of the commodity thermo-polymers: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE). The PP product range includes Random, Homopolymer, Copolymer and specialty automotive grades. Other key products include PolyCarbonate (PC), Polyester, Polyvinylchloride (PVC), Polystyrene, PP compounding and STAMAX.

The **Specialties** segment – includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions for automotive, aviation and electronics to construction, alternative energy, and health care. The extensive product portfolio includes thermoplastic resins, specialty compounds, film and sheet products, and coatings.

The **Agri-Nutrients** segment – includes production of a range of fertilisers; including urea, ammonia, phosphate, as well as compound fertilisers.

The **Metals** segment is concerned with production of steel products; long products (e.g. rebars) and flat products.

The **Corporate** segment includes the corporate operations, technology and innovation centres, and investment activities.

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

34 Segment information (continued)

The financial information for Petrochemicals and Specialties segments have been disclosed as aggregated considering certain similarities in business and the immateriality of the Specialties segment being less than 10% of total revenues, net profit and assets comparing to the Group.

The Executive Management Committee, chaired by the Chief Executive Officer monitors the results of its segments for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on net income and is measured consistently.

Intersegment revenue may generally be recorded either at values that approximate third-party selling prices or at prices mutually agreed by management of the segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	For the year ended 31 December 2017					
	Petro-chemicals/ Specialties	Agri-Nutrients	Metals	Corporate	Eliminations/ adjustments	Consolidated
Revenue	181,520,091	4,956,577	8,690,273	85,963,781	(131,364,754)	149,765,968
Depreciation and amortisation	(12,721,318)	(763,318)	(990,251)	(370,897)	-	(14,845,784)
Impairment and write down	(1,213,623)	-	(349,980)	-	-	(1,563,603)
Finance income	561,239	25,115	7,285	4,728,154	(4,074,736)	1,247,057
Finance cost	(6,952,671)	(38,791)	(137,143)	(2,893,946)	7,692,835	(2,329,716)
Other income / (expenses), net	1,356,157	41,919	(345,508)	872,390	(1,635,621)	289,337
Share of results of associates and joint ventures	1,213,313	93,739	-	206,387	(93,759)	1,419,680
Zakat and income tax	(2,009,106)	(34,120)	(114,665)	(1,041,273)	(940,836)	(4,140,000)
Net income attributable to equity holders of the Parent	25,670,419	1,249,231	(1,309,324)	16,853,481	(24,033,571)	18,430,236

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

34 Segment information (continued)

	For the year ended 31 December 2016					
	Petro-chemicals/ Specialties	Agri-Nutrients	Metals	Corporate	Eliminations/ adjustments	Consolidated
Revenue	160,550,736	4,701,311	9,009,322	74,525,044	(105,787,586)	142,998,827
Depreciation and amortisation	(12,586,311)	(724,134)	(1,036,088)	(354,593)	-	(14,701,126)
Impairment loss	(2,189,866)	-	-	-	-	(2,189,866)
Finance income	684,962	28,588	45,549	4,899,936	(4,011,763)	1,647,272
Finance cost	(4,146,385)	(42,733)	(142,712)	(611,870)	2,977,244	(1,966,456)
Other income / (expenses), net	1,939,967	19,129	(41,730)	972,727	(2,066,198)	823,895
Share of results of associates and joint ventures	780,192	56,845	-	96,208	(57,310)	875,935
Zakat and income tax	(1,277,025)	(65,093)	(136,942)	(2,112,496)	(281,254)	(3,872,810)
Net income attributable to equity holders of the Parent	22,598,576	1,107,093	(1,478,178)	18,589,331	(23,203,213)	17,613,609

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

34 Segment information (continued)

	As at 31 December 2017					
	Petro-chemicals/ Specialties	Agri-Nutrients	Metals	Corporate	Eliminations/ adjustments	Consolidated
Total assets	262,321,789	12,968,454	19,338,137	220,337,241	(192,510,199)	322,455,422
Investment in equity accounted investees	7,839,776	599,380	-	6,428,512	(563,528)	14,304,140
Net additions (disposal) to non-current assets (i)	9,302,765	493,839	286,188	(576,409)	-	9,506,383
Total liabilities	161,565,734	2,305,018	6,155,208	51,789,552	(109,498,582)	112,316,930

	As at 31 December 2016					
	Petro-chemicals/ Specialties	Agri-Nutrients	Metals	Corporate	Eliminations/ adjustments	Consolidated
Total assets	259,578,214	12,744,192	19,606,798	209,710,850	(187,785,378)	313,854,676
Investment in equity accounted investees	6,377,258	633,005	-	6,386,714	(456,653)	12,940,324
Net additions (disposal) to non-current assets (i)	8,628,099	1,043,380	387,706	1,270,044	-	11,329,229
Total liabilities	168,172,082	2,326,517	5,095,879	49,018,796	(112,837,637)	111,775,637

	As at 1 January 2016					
	Petro-chemicals/ Specialties	Agri-Nutrients	Metals	Corporate	Eliminations/ adjustments	Consolidated
Total assets	248,434,698	13,630,044	21,250,723	218,754,764	(177,026,682)	325,043,547
Investment in equity accounted investees	4,533,787	609,049	-	8,188,813	(613,361)	12,718,288
Total liabilities	166,889,895	2,714,351	5,344,577	54,485,066	(106,533,290)	122,900,599

(i) Primarily includes property, plant and equipment. Excludes financial instruments, deferred taxes, net defined benefit assets, rights under insurance contract and other insignificant non-current assets. The net additions, where presented, are from Jan 1 to year end dates

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

34 Segment information (continued)

Geographical distribution of revenue

	For the year ended 31 December 2017		For the year ended 31 December 2016	
		%		%
KSA	22,751,799	15%	24,473,504	17%
China	25,404,525	17%	16,068,398	11%
Rest of Asia	32,595,863	22%	31,070,071	22%
Europe	35,913,940	24%	33,697,923	24%
Americas	12,744,946	8%	11,350,504	8%
Others	20,354,895	14%	26,338,427	18%
	149,765,968	100%	142,998,827	100%

The revenue information above is based on the locations of the customers.

Others includes sales made by certain subsidiaries to their foreign shareholders amounting to SR 3.26 billion (for the year ended 31 December 2016: SR 3.28 billion) and for which detailed geographical breakdown for final end consumer sales is not available with the Group

Geographical distribution of property, plant and equipment

	As at 31 December 2017		As at 31 December 2016		As at 1 January, 2016	
		%		%		%
KSA	143,163,921	86%	148,410,677	87%	151,652,559	87%
Europe	15,086,965	9%	12,510,276	7%	13,048,677	8%
Americas	7,383,489	4%	7,621,143	5%	7,479,801	4%
Asia	1,718,893	1%	1,806,583	1%	1,944,333	1%
Others	2,643	-	1,303	-	1,558	-
	167,355,911	100%	170,349,982	100%	174,126,928	100%

Significant value of property, plant and equipment in Europe is concentrated in Netherlands, UK, Germany and Spain; in the Americas, it is concentrated in USA and in Asia, it is concentrated in China and India. Others include countries in Africa and Oceania.

The basis of segmentation has remained unchanged for all years presented.

35 Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk (including price risk, currency risk and interest rate risk)
- Commodity risk

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 consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Financial instruments principally include cash and cash equivalents, trade and other accounts receivable, derivative financial instruments, investments in securities, loans and advances, short term bank borrowings, accounts payable, accrued expenses, long term debt and other liabilities.

Trade receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

35 Financial risk management (continued)

Trade receivables (continued)
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments
Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees
The Group monitors its risk to a shortage of funds using forecasting models to assess impacts of operational activities on overall liquidity availability. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, the revolving credit facilities and other sources of liquidity.

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

35 Financial risk management (continued)

Credit risk quality

	As at 31 December 2017							
External Rating	AA+	AA	AA-	A	A+	A-	Others	Carrying value in the statement of financial position
Bank balances	74,190	80,236	4,032,418	8,399,650	24,702,761	18,872,720	2,876,268	59,038,243
AFS financial assets	-	-	-	-	299,406	-	-	299,406
Held-to-maturity Investments	-	-		-	2,680,161	375,000	-	3,055,161
Short term investments	-	-	-	1,624,252	879,975	1,157,672	689,173	4,351,072
Financial derivatives	-	22,498	1,013	326	2,920	-	49	26,806
Total	74,190	102,734	4,033,431	10,024,228	28,565,223	20,405,392	3,565,490	66,770,688
	As at 31 December 2016							
Bank balances	31,130,211	-	6,323,848	-	1,667,428	102,322	1,023,113	40,246,922
AFS financial assets	-	-	-	-	294,198	-	-	294,198
Held-to-maturity Investments	-	1,239,750	-	833,125	-	555,000	848,715	3,476,590
Short term investments	17,393,122	-	-	-	19,283	-	2,692,972	20,105,377
Financial derivatives	-	-	49,821	-	-	34,776	-	84,597
Total	48,523,333	1,239,750	6,373,669	833,125	1,980,909	692,098	4,564,800	64,207,684

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

35 Financial risk management (continued)

Credit risk quality (continued)

	As at 1 January 2016							
External Rating	AA+	AA	AA-	A	A+	A-	Others	Carrying value in the statement of financial position
Bank balances	28,390,041	-	3,021,931	848,321	1,056,869	494,920	4,340,299	38,152,381
AFS financial assets	-	-	-	-	337,100	-	-	337,100
Held-to-maturity Investments	-	2,190,211	-	874,721	-	615,415	-	3,680,347
Short term investments	19,385,044	-	-	-	4,820,981	5,402,456	-	29,608,481
Financial Derivatives	-	-	38,650	-	-	2,476	-	41,126
Total	47,775,085	2,190,211	3,060,581	1,723,042	6,214,950	6,515,267	4,340,299	71,819,435

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

35 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains different lines of credit.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of liquidity risks at both relationship and industry levels are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	As at 31 December 2017			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt	15,599,125	33,152,024	9,078,533	57,829,682
Short-term borrowings	1,065,000	-	-	1,065,000
Trade payable	18,061,464	-	-	18,061,464
Other liabilities	2,230,384	-	-	2,230,384
Derivatives	1,978	14,258	-	16,236
	36,957,951	33,166,282	9,078,533	79,202,766

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

35 Financial risk management (continued)

Liquidity risk (continued)

	As at 31 December 2016			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt	13,328,719	33,944,630	17,197,129	64,470,478
Trade payable	16,368,834	-	-	16,368,834
Other liabilities	2,116,698	-	-	2,116,698
Derivatives	52,558	17,742	-	70,300
	31,866,809	33,962,372	17,197,129	83,026,310

	As at 1 January, 2016			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt	14,057,853	26,146,398	34,814,316	75,018,567
Short-term borrowings	428,201	-	-	428,201
Trade payable	16,515,186	-	-	16,515,186
Other liabilities	1,836,110	-	-	1,836,110
Derivatives	100,927	54,174	-	155,101
	32,938,277	26,200,572	34,814,316	93,953,165

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

35 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee.

Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as AFS financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

	As at 31 December 2017	
	Impact on net income	Impact on other components of equity
Increase in prices (10%)	-	2
	-	2

	As at 31 December 2016	
	Impact on net income	Impact on other components of equity
Increase in prices (10%)	-	4,248
	-	4,248

	As at 1 January 2016	
	Impact on net income	Impact on other components of equity
Increase in prices (10%)	-	5,411
	-	5,411

A decrease in prices would have an opposite impact to those listed above.

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

35 Financial risk management (continued)

Market risk (continued)

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the other currencies towards the SR. Foreign currency risk mainly arises from commercial transactions, investing and financing activities.

The Group's policy requires all subsidiaries to conduct a regular review of currency exposures, however the hedge decisions is delegated to managers. SABIC manages execution of all derivatives trading centrally through the Central Treasury Department. In case of SLUX, the principal amounts of Euro ("EUR") and US Dollar ("USD") bank borrowings have been fully hedged using forward contracts with same maturity as of the loans. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is currently exposed to currency risk on balances including receivable against sales, payable to suppliers, placement with banks and borrowings that are denominated in a currency other than the SR. The currencies in which these transactions are primarily denominated includes USD, EUR, British Pounds ("GBP"), Japanese Yen ("JPY") and Chinese Yuan ("CNY").

The currency risk on USD exposure is not considered significant by the Group as USD is pegged against SR.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the exchange rate of Saudi Riyals to foreign currencies, with all other variables held constant, of the Group's monetary assets and liabilities net of hedges entered into for the year ended 31 December:

	Impact on net income	
	For the year ended 31 December 2017	For the year ended 31 December 2016
Increase in EUR/SR (10%)	(27,752)	(18,809)
Increase in GBP/SR (10%)	(11,640)	(3,324)
Increase in JPY/SR (10%)	6,880	488
Increase in CNY/SR (10%)	15,109	-
	(17,403)	(21,645)

35 Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk at the end of the reporting year, was as follows (converted in SR '000):

	As at 31 December 2017			
	EUR	GBP	CNY	JPY
Cash and bank (including fixed term deposits)	1,015,186	(1,003,738)	904,078	562,710
Trade receivables	3,840,916	257,776	606,856	125,293
Debt	(3,373,875)	-	-	-
Trade payables	(1,419,887)	(75,902)	-	(41)
Other monetary payables	(2,837,559)	(342,174)	-	-
Total net monetary exposure	(2,775,219)	(1,164,038)	1,510,934	687,962

	As at 31 December 2016			
	EUR	GBP	CNY	JPY
Cash and bank (including fixed term deposits)	1,546,503	(332,777)	-	18,008
Trade receivables	3,042,054	41	-	27,134
Other monetary receivable	9,849	370	-	3,763
Debt	(2,935,600)	-	-	-
Trade payables	(562,403)	(25)	-	(120)
Other monetary payables	(2,981,275)	-	-	-
Total net monetary exposure	(1,880,872)	(332,391)	-	48,785

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

35 Financial risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates as well as the held-to-maturity investments (Note 20 and Note 9.2). The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To lower volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates after taking into account the effect of the interest rate swap hedges, with all other variables held constant, of the Groups profit before zakat and tax (through the impact on floating rate borrowings and held-to-maturity investments) for the year ended 31 December:

	31 December 2017	
	Gain (loss) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(73)	73
6M SAIBOR	(2,063)	2,063
9M SAIBOR	(546)	546
1M LIBOR	(679)	679
3M LIBOR	(200)	200
6M LIBOR	(4,795)	4,795

	31 December 2016	
	Gain (loss) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(1,461)	1,461
6M SAIBOR	(1,259)	1,259
9M SAIBOR	(290)	290
1M LIBOR	(25,140)	25,140
3M LIBOR	(530)	530
6M LIBOR	(406)	406

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

35 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	1 January 2016 Gain (loss) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(2,043)	2,043
6M SAIBOR	(524)	524
9M SAIBOR	(331)	331
1M LIBOR	(39,541)	39,541
3M LIBOR	(1,024)	1,024
6M LIBOR	(412)	412

Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including naphtha, benzene, natural gas and electricity. From time to time, the Group manages some elements of commodity price risk through the use of fixed price contracts and derivative instruments.

Capital management

Capital is equity attributable to the equity holders of the Parent. The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity and non-controlling interest. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

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

35 Financial risk management (continued)

Capital management (continued)

The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Total liabilities	**112,316,930**	111,775,637	122,900,599
Less: cash and bank balances	**(59,038,656)**	(40,247,740)	(38,153,091)
Net debt	**53,278,274**	71,527,897	84,747,508
Total equity	**210,138,492**	202,079,039	202,142,948
Less: amount directly accumulated in equity relating to fair value adjustments	**(258,110)**	(247,290)	-
Adjusted capital	**209,880,382**	201,831,749	202,142,948
Debt to adjusted capital ratio as of 31 December	**25%**	35%	42%

36 Commitments and contingencies

Capital commitments

As at 31 December 2017, the Group had commitments of SR 9.11 billion (as at 31 December 2016: SR 9.50 billion and as at 1 January 2016: SR 10.27 billion) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in Ma'adan Wa'ad Al Shamal Phosphate Company ("MWSPC"). As at 31 December 2017, the outstanding commitment towards this investment amounts to SR 0.07 billion (as at 31 December 2016: SR 0.21 billion and as at 1 January 2016: SR 0.44 billion). Pursuant to the terms of the agreements with the other shareholders of MWSPC and its external lenders, SABIC has agreed to contribute additional funds to MWSPC, under certain circumstances and to the extent required, in the event of cost over-runs.

SABIC also has an equity contribution commitment towards its 25% interest in Dussur Company. As at 31 December 2017, the outstanding commitment towards this investment amounts to SR 0.28 billion (as at 31 December 2016: SR 0.38 billion and as at 1 January 2016: SR 0.38 billion).

The Group has signed agreements with vendors maturing over various years through 2025 for capital commitment for the ongoing operations of its business. Under the terms of these agreements, the Group has committed to contractually specified minimums over the contract periods.

Guarantees

SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 31.0 billion as at 31 December 2017 (31 December 2016: SR 28.67 billion and 1 January, 2016: SR 29.24 billion).

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

36 Commitments and contingencies (continued)

Contingent liabilities

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 2.86 billion in the normal course of business as at 31 December 2017 (31 December 2016: SR 2.80 billion and 1 January 2016: SR 2.32 billion)

Operating lease commitments

The Group has entered into operating leases on certain motor vehicles and items of machinery. Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Within one year	1,189,566	1,049,020	1,440,363
After one year but not more than five years	3,097,560	2,860,811	4,055,989
More than five years	1,478,283	1,635,154	2,446,027
	5,765,409	5,544,985	7,942,379

Finance leases

Group as a lessee

Future minimum lease payments under finance lease contracts, together with the present value of the net minimum lease payments, are as follows:

	As at 31 December 2017	
	Minimum payments	Present value of net minimum payments
Within one year	102,230	93,301
After one year but not more than five years	517,629	439,798
More than five years	564,113	331,914
Total minimum lease payments	1,183,972	865,013
Less: amounts representing finance charges	(318,959)	-
Present value of minimum lease payments	865,013	865,013

	As at 31 December 2016	
	Minimum payments	Present value of net minimum payments
Within one year	86,531	78,973
After one year but not more than five years	516,926	387,294
More than five years	628,108	389,102
Total minimum lease payments	1,231,565	855,369
Less: amounts representing finance charges	(376,196)	-
Present value of minimum lease payments	855,369	855,369

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

36 Commitments and contingencies (continued)

Finance leases (continued)

Group as a lessee (continued)

	As at 1 January 2016	
	Minimum Payments	Present value of net minimum payments
Within one year	180,185	160,665
After one year but not more than five years	543,357	396,603
More than five years	717,703	419,335
Total minimum lease payments	1,441,245	976,603
Less: amounts representing finance charges	(464,642)	-
Present value of minimum lease payments	976,603	976,603

Group as a lessor

Future minimum lease receivables under these contracts, together with the present value of the net lease receivable are as follows:

	As at 31 December 2017	
	Minimum lease receivable	Present value
Within one year	41,673	16,389
After one year but not more than five years	163,845	108,671
More than five years	253,235	162,818
Total minimum lease receivables	458,753	287,878
Less: amounts representing finance income	(170,875)	-
Present value of minimum lease receivables	287,878	287,878

	As at 31 December 2016	
	Minimum lease receivable	Present value
Within one year	37,167	14,795
After one year but not more than five years	143,220	66,862
More than five years	306,345	204,281
Total minimum lease receivables	486,732	285,938
Less: amounts representing finance charges	(200,794)	-
Present value of minimum lease receivables	285,938	285,938

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

36 Commitments and contingencies (continued)

Finance leases (continued)

Group as a lessor (continued)

	As at 1 January 2016	
	Minimum lease receivable	Present value
Within one year	37,167	13,723
After one year but not more than five years	146,352	64,844
More than five years	339,836	220,679
Total minimum lease receivables	523,355	299,246
Less: amounts representing finance income	(224,109)	-
Present value of minimum lease receivables	299,246	299,246

The Group is deemed as a lessor in certain supply contracts where the agreements convey the right to use related equipment mainly gas pipelines and other related accessories. The duration of the lease agreements are between 15 to 20 years which are a significant majority of the useful lives of the related assets. The lessor is responsible for maintenance and insurance of the assets.

Generally, there are minimum payments due from the lessee regardless of potential termination of the agreements. Renewal of lease agreements are possible but are subject to mutual agreement.

37 Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 14 Rajab 1438H (corresponding to 11 April 2017), approved the distribution of cash dividends of SR 12 billion (SR 4 per share) for the year ended 31 December 2016. This includes the interim cash dividends amounting to SR 6 billion (SR 2 per share) for the first half of 2016.

The AGA also approved the Board of Directors' remuneration of SR 1.8 million which has been charged in general and administrative expenses.

On 26 Ramadan 1438H (corresponding to 21 June 2017), SABIC declared interim cash dividends for the first half of the year 2017 amounting to SR 6 billion (at SR 2 per share), which were subsequently paid.

On 1 Rabi Thani 1439H (corresponding to 19 December 2017), the Board of Directors proposed a distribution of cash dividends for the second half of the year 31 December 2017 amounting to SR 6.6 billion (at SR 2.2 per share). The proposed dividends are subject to the approval of the shareholders in their Annual General Assembly Meeting.

38 Subsequent events

On 25 January 2018, the Group, via SABIC International Holdings BV, a fully owned subsidiary, has entered into an agreement to acquire approximately 83 million shares (representing a 24.99% stake) of Clariant AG, a global specialty chemicals public company listed on the Swiss stock exchange. The acquisition has been financed via bank facilities and the purchase price will be paid up front. The completion of the transaction is subject to customary regulatory approvals in several jurisdictions. The regulatory approval process is expected to be completed within six months. Consequently, at the date of these financial statements, Clariant shares and the related economic and voting rights are not in the availability of the Group yet.

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

39 Subsidiaries

The Group's subsidiaries are set out below:

	Country of incorporation*	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
SABIC Luxembourg S.à r.l. (SLUX) and its subsidiaries (see Note 39.1)	Luxembourg	100.00	100.00
SABIC Industrial Investments Company (SIIC) and its subsidiaries (see Note 39.2)	KSA	100.00	100.00
Arabian Petrochemical Company (Petrokemya)	KSA	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	KSA	100.00	100.00
SABIC Sukuk Company (Sukuk)	KSA	100.00	100.00
SABIC Industrial Catalyst Company (Sabcat)	KSA	100.00	100.00
Saudi Carbon Fibre Company (Scfc)	KSA	100.00	100.00
SABIC Supply Chain Services Limited Company (SSCS)	KSA	100.00	100.00
Saudi Petrochemical Company (Sadaf)	KSA	100.00	50.00
Saudi Japanese Acrylonitrile Company (Shrouq) **	KSA	80.00	50.00
Saudi European Petrochemical Company (Ibn Zahr)	KSA	80.00	80.00
Jubail United Petrochemical Company (United)	KSA	75.00	75.00
National Chemical Fertiliser Company (Ibn Al-Baytar)	KSA	71.50	71.50
National Industrial Gases Company (Gas)	KSA	70.00	70.00
Yanbu National Petrochemical Company (Yansab)	KSA	51.95	51.95
Saudi Methanol Company (Ar-Razi)	KSA	50.00	50.00
Al-Jubail Fertiliser Company (Al-Bayroni)	KSA	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	KSA	50.00	50.00
National Methanol Company (Ibn Sina)	KSA	50.00	50.00
Eastern Petrochemical Company (Sharq)	KSA	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	KSA	50.00	50.00
Saudi Methacrylates Company (Samac)	KSA	50.00	50.00
Arabian Industrial Fibers Company (Ibn Rushd)	KSA	48.07	48.07
Saudi Arabian Fertiliser Company (Safco)	KSA	42.99	42.99
Saudi Kayan Petrochemical Company (Saudi Kayan)	KSA	35.00	35.00
Saudi Speciality Chemicals Company (Sp. Chem)	KSA	100.00	100.00
Saudi Organometallic Chemicals Company (SOCC)	KSA	50.00	50.00

* The country of incorporation is also their principal place of business.

** During the year ended 31 December 2017, the Group acquired 30% of the non-controlling interests in Shrouq. Legal formalities for the acquisition of the remaining 20% of the non-controlling interests have been completed subsequent to the year ended 31 December 2017.

1. The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemical, specialties and related products except for;
   - Safco, Al-Bayroni and Ibn Al-Baytar that are involved in agri-nutrients business; and
   - Hadeed is involved in metal business

2. Yansab, Safco, and Saudi Kayan are public companies and listed on Saudi Stock Exchange (Tadawul)

3. Sp. Chem is 99% owned by Petrokemya and 1% owned by SIIC, and SOCC is 50% owned by Sp. Chem

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

39 Subsidiaries (continued)

39.1 SABIC Luxembourg S.à r.l. and its subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
Subsidiaries			
SABIC Innovative Plastics Argentina SRL	Argentina	100.00	100.00
SABIC Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Austria GmbH	Austria	100.00	100.00
SABIC Innovative Plastics GmbH & Co. KG	Austria	100.00	100.00
SABIC Innovative Plastics South America - Indústria e Comércio de Plásticos Ltda	Brazil	100.00	100.00
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	100.00	100.00
SABIC Belgium NV	Belgium	100.00	100.00
SABIC Innovative Plastics Canada, Inc.	Canada	100.00	100.00
SABIC Innovative Plastics (China) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics (Chongqing) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	100.00	100.00
SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics Shanghai Co., Ltd.	China	100.00	100.00
SABIC (Shanghai) Trading Co. Ltd.	China	100.00	100.00
SABIC (China) Research & Development Co. Ltd.	China	100.00	100.00
SABIC (Shanghai) Industry Co. Ltd.	China	100.00	100.00
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	100.00	100.00
SABIC Innovative Plastics Denmark Aps	Denmark	100.00	100.00
SABIC Nordic A/S	Denmark	100.00	100.00
SABIC Innovative Plastics Finland Oy	Finland	100.00	100.00
SABIC France S.A.S.	France	100.00	100.00
SABIC Innovative Plastics France S.A.S.	France	100.00	100.00
SABIC Deutschland GmbH	Germany	100.00	100.00
SABIC Holding Deutschland GmbH	Germany	100.00	100.00
SABIC Innovative Plastics GmbH	Germany	100.00	100.00
SABIC Innovative Plastics Holding Germany GmbH	Germany	100.00	100.00
SABIC Polyolefine GmbH	Germany	100.00	100.00
SABIC Greece M.E.P.E.	Greece	100.00	100.00
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics Taiwan Holding Ltd.	Hong Kong	100.00	100.00

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

39 Subsidiaries (continued)

39.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
Subsidiaries			
SABIC Hungary Kft.	Hungary	100.00	100.00
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	100.00	100.00
SABIC India Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics India Private Ltd.	India	100.00	100.00
SABIC R&T Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics Italy Srl	Italy	100.00	100.00
SABIC Italia Srl	Italy	100.00	100.00
SABIC Sales Italy Srl	Italy	100.00	100.00
SABIC Japan Ltd.	Japan	100.00	100.00
SABIC Korea Ltd.	Korea	100.00	100.00
SABIC Luxembourg S.à r.l.	Luxembourg	100.00	100.00
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	100.00	100.00
SABIC Innovative Plastics Servicios Mexico S de RL de CV	Mexico	100.00	100.00
BV Snij-Unie HiFi	Netherlands	100.00	100.00
FRT B.V.	Netherlands	95.00	95.00
FRT Tapes B.V.	Netherlands	100.00	100.00
SABIC Capital B.V.	Netherlands	100.00	100.00
SABIC Capital I B.V.	Netherlands	100.00	100.00
SABIC Capital II B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics GP B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Holding B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Utilities B.V.	Netherlands	100.00	100.00
SABIC Licensing B.V.	Netherlands	100.00	100.00
SABIC Limburg B.V.	Netherlands	100.00	100.00
SABIC Sales Europe B.V.	Netherlands	100.00	100.00
SABIC Petrochemicals B.V.	Netherlands	100.00	100.00
SABIC Ventures B.V.	Netherlands	100.00	100.00
SABIC Mining B.V.	Netherlands	100.00	100.00
Petrochemical Pipeline Services B.V.	Netherlands	100.00	100.00
SABIC Europe B.V.	Netherlands	100.00	100.00
SABIC International Holdings B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics B.V.	Netherlands	100.00	100.00
SABIC Global Technologies B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	100.00	100.00
SABIC Poland Sp. Z o.o.	Poland	100.00	100.00
SABIC Polymershapes Puerto Rico, Inc. *	Puerto Rico	-	100.00
LLC SABIC Eastern Europe	Russia	100.00	100.00
SABIC Innovative Plastics Russia Z o.o.	Russia	100.00	100.00

* It was dissolved on 21 December 2017

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

39 Subsidiaries (continued)

39.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
Subsidiaries			
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Asia Pacific Pte Ltd	Singapore	100.00	100.00
SABIC Innovative Plastics Espana ScpA	Spain	100.00	100.00
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	100.00	100.00
SABIC Sales Spain SL	Spain	100.00	100.00
SABIC Marketing Ibérica S.A.	Spain	100.00	100.00
Saudi Innovative Plastics Sweden AB	Sweden	100.00	100.00
SABIC Innovative Plastics (Thailand) Co. Ltd.	Thailand	100.00	100.00
SABIC Global Ltd.	UK	100.00	100.00
SABIC Tees Holdings Ltd.	UK	100.00	100.00
SABIC Innovative Plastics ABS UK Ltd.	UK	100.00	100.00
SABIC Innovative Plastics Ltd.	UK	100.00	100.00
SABIC UK Ltd.	UK	100.00	100.00
SABIC UK Pension Trustee Ltd.	UK	100.00	100.00
SABIC UK Petrochemicals Ltd.	UK	100.00	100.00
Exatec, LLC	US	100.00	100.00
Mt. Vernon Phenol Plant Partner	US	51.00	51.00
SABIC Americas Inc.	US	100.00	100.00
SABIC Innovative Plastics Holding US LP	US	100.00	100.00
SABIC Innovative Plastics Mt. Vernon, LLC	US	100.00	100.00
SABIC Innovative Plastics US LLC	US	100.00	100.00
SABIC Petrochemicals Holding US, Inc.	US	100.00	100.00
SABIC Ventures US Holdings LLC	US	100.00	100.00
SABIC US Projects LLC	US	100.00	100.00
SABIC Uruguay SA	Uruguay	100.00	100.00
SABIC Vietnam Ltd.	Vietnam	100.00	100.00

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

39 Subsidiaries (continued)

39.2 SIIC Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
SABCAP Insurance Limited (SABCAP)	Guernsey	100.00	100.00
SABIC Petrokemya Ticaret Limited (SABIC Turkey)	Turkey	100.00	100.00
SABIC Middle East Offshore Company	Lebanon	100.00	100.00
SABIC South Africa	South Africa	100.00	100.00
SABIC Africa For Trading & Marketing	Egypt	100.00	100.00
SABIC Morocco	Morocco	100.00	100.00
SABIC Global Mobility Company (GMC)	UAE	100.00	100.00
SABIC Tunisia	Tunisia	100.00	100.00
SABIC Kenya	Kenya	100.00	100.00
SABIC (Pvt.) Pakistan	Pakistan	100.00	100.00
International Shipping and Transportation Co. (ISTC)	KSA	99.00	99.00
SABIC Terminal Services Company (SABTANK)	KSA	90.00	90.00
Jubail Chemical Storage and Services Company (JCSSC)	KSA	75.00	75.00

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

40 Investment in associates and joint arrangements

Below is the listing of the Group's investment in associates and joint arrangements. These are strategic investments for the Group.

	Country of incorporation *	Principal activities	% Shareholding (direct and indirect) as at 31 December 2017	% Shareholding (direct and indirect) as at 31 December 2016
Associates				
Gulf Petrochemical Industries Company	Bahrain	Petrochemical	33.33	33.33
Gulf Aluminium Rolling Mills Company	Bahrain	Aluminium	30.40	30.40
Ma'aden Phosphate Company (MPC)	KSA	Agri-Nutrients	30.00	30.00
Power and Water Utilities Company for Jubail and Yanbu	KSA	Utilities	24.81	24.81
Bahrain Aluminium Company BSC	Bahrain	Aluminium	20.62	20.62
National Chemical Carrier Company	KSA	Transportation	20.00	20.00
Ma'aden Wa'ad Al Shamal Phosphate Company	KSA	Agri-Nutrients	15.00	15.00
Saudi Arabian Industrial Investment Company (Dussur)	KSA	Investments	25.00	25.00
Cosmar Inc.	USA	Petrochemical	50.00	50.00
Black Diamond Structures, LLC	USA	Specialities	50.00	50.00
Joint Ventures				
SINOPEC/SABIC Tianjin Petrochemical Company Limited	China	Petrochemical	50.00	50.00
SABIC SK Nexelene Company	Singapore	Petrochemical	50.00	50.00
Joint Operations (i)				
Utility Support Group (USG) B.V.	Netherlands	Petrochemical	50.00	50.00
Gulf Coast Growth Venture LLC	USA	Petrochemical	50.00	50.00

* The country of incorporation is also their principal place of business.

(i) SLUX Group participates in following Joint Operations:

- Utility Support Group (USG) B.V., Geleen, the Netherlands, which is operated jointly with other stakeholders to produce utilities for a production site
- Gulf Coast Growth Venture LLC, Houston, USA, a cooperation with ExxonMobil Chemical to investigate the feasibility of constructing an ethane steam cracking facility and downstream plants.

The Group holds a 50% share in each of these joint operations and controls them jointly with the respective partners. The partners ensure the ongoing financing of the companies, either by the utilities directly sold to the partners or sharing the costs.