SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months period ended March 31, 2017

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To: The Shareholders of Sahara Petrochemicals Company
(A Saudi Joint Stock Company)
Al-Jubail, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying March 31, 2017 condensed interim financial statements of **Sahara Petrochemicals Company** which comprises:

- the condensed statement of financial position as at March 31, 2017;
- the condensed statement of profit or loss and other comprehensive income for the three-month period ended March 31, 2017;
- the condensed statement of changes in equity for the three-month period ended March 31, 2017;
- the condensed statement of cash flows for the three-month period ended March 31, 2017; and
- the notes to the condensed interim financial statements.

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

Scope of review

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

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2017 condensed interim financial statements of **Sahara Petrochemicals Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Tareq Abdulrahman Al Sunaid
License No: 419

Al Khobar, May 11, 2017G
Corresponding to: Shahban 15, 1438H

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	**March 31, 2017**	December 31, 2016	January 1, 2016
Non-Current Assets:				
Property and equipment	5	**530,521**	487,412	308,964
Intangible assets		**22,040**	22,539	24,656
Investments in joint ventures and associates	6	**3,820,458**	3,718,155	3,825,788
Long-term investments	7	**336,260**	283,882	314,987
Total Non-Current Assets		**4,709,279**	4,511,988	4,474,395
Current Assets:				
Short-term investments		-	-	100,000
Prepayments and other current assets		**45,459**	44,074	58,338
Murabaha deposits		**455,000**	300,000	245,000
Cash and cash equivalents		**869,364**	1,077,674	562,512
Total Current Assets		**1,369,823**	1,421,748	965,850
Total Assets		**6,079,102**	5,933,736	5,440,245
EQUITY AND LIABILITIES				
Equity:				
Share capital		**4,387,950**	4,387,950	4,387,950
Statutory reserve		**243,109**	243,109	202,169
Fair value reserve		**(7,447)**	(6,201)	-
Revaluation reserve		**23,199**	8,542	(496)
Retained earnings		**728,330**	632,378	451,864
Total equity		**5,375,141**	5,265,778	5,041,487
Non-Current Liabilities:				
Long-term borrowings	8	**425,000**	425,000	233,844
Employees' end of service benefits		**88,400**	85,567	71,918
Derivative financial instruments		**1,974**	1,637	-
Total Non-Current Liabilities		**515,374**	512,204	305,762
Current Liabilities:				
Current portion of long-term borrowings	8	**50,000**	50,000	-
Trade payables		**19,410**	4,264	6,395
Accrued expenses and other current liabilities		**75,677**	65,990	57,197
Provision for Zakat		**43,500**	35,500	29,404
Total Current Liabilities		**188,587**	155,754	92,996
Total Liabilities		**703,961**	667,958	398,758
Total Equity and Liabilities		**6,079,102**	5,933,736	5,440,245

Rushdi Khalid Al-Dulijan
General Manager, Finance & IT

Saleh bin Mohammed Bahamdan
Chief Executive Officer

The accompanying notes 1 through 15 form an integral part of these condensed interim financial statements

SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	March 31, 2017	March 31, 2016
Share of profit from joint ventures and associates		**103,212**	59,774
Financial income		**8,763**	7,851
Financial charges		**(832)**	(697)
General and administrative expenses, net	9	**(7,206)**	(5,362)
Others		**15**	88
Profit before Zakat		**103,952**	61,654
Zakat charge		**(8,000)**	(7,000)
Net profit for the period		**95,952**	54,654
Earnings per share:	11		
Basic profit per share		**0.22**	0.12
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in the fair value of available for sale Investments		**14,657**	(399)
Derivative financial instruments designated as hedge		**(337)**	-
		14,320	(399)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of joint ventures and associates		**(909)**	-
Other comprehensive income for the period		**13,411**	(399)
Total comprehensive income for the period		**109,363**	54,255

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SAHARA PETROCHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Note	March 31, 2017	March 31, 2016
Cash flow from operating activities:			
Net profit for the period		**95,952**	54,654
Adjustment to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization		**2,449**	2,722
Share of profit from joint ventures and associates		**(103,212)**	(59,774)
Provision for employees' end of service benefits		**3,356**	2,975
Changes in operating assets and liabilities:			
Prepayments and other current assets		**(1,385)**	(5,258)
Trade payable		**15,146**	(3,114)
Zakat payable-net		**8,000**	7,000
Accrued expenses and other current liabilities		**9,687**	20,003
Employees' end of service benefits-paid		**(523)**	54
Net cash provided by operating activities		**29,470**	19,262
Cash flow from investing activities:			
Murabaha deposits		**(155,000)**	(175,000)
Available for sale investments		**(37,721)**	100,609
Dividends received from joint ventures and associates		**-**	113,925
Additions to property and equipment	5	**(45,059)**	(41,744)
Net cash used in investing activities		**(237,780)**	(2,210)
Cash flow from financing activities:		**-**	-
Net (decrease)/increase in cash and cash equivalents		**(208,310)**	17,052
Cash and cash equivalents at the beginning of the period		**1,077,674**	562,512
Cash and cash equivalent at the end of the period		**869,364**	579,564

Non-cash supplemental information			
Changes in fair value of derivative financial instruments		**(337)**	-
Fair value gain on available for sale investments		**14,657**	(399)

Rushdi Khalid Al-Dulijan
General Manager, Finance & IT

Saleh bin Mohammed Bahamdan
Chief Executive Officer

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017
Expressed in Saudi Arabian Riyals in thousands

	Share capital	Statutory reserve	Fair value reserve	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2016	4,387,950	202,169	-	(496)	451,864	5,041,487
Net income for the period	-	-	-	-	54,654	54,654
Fair value changes	-	-	-	(399)	-	(399)
Balance as at March 31, 2016	4,387,950	202,169	-	(895)	506,518	5,095,742
Balance as at January 1, 2017	4,387,950	243,109	(6,201)	8,542	632,378	5,265,778
Net income for the period	-	-	-	-	**95,952**	**95,952**
Fair value changes	-	-	**(1,246)**	**14,657**	-	**13,411**
Balance as at March 31, 2017	**4,387,950**	**243,109**	**(7,447)**	**23,199**	**728,330**	**5,375,141**

Rushdi Khalid Al-Dulijan
General Manager, Finance & IT

Saleh bin Mohammed Bahamdan
Chief Executive Officer

The accompanying notes 1 through 15 form an integral part of these condensed interim financial statements

Expressed in Saudi Arabian Riyals in thousands

1. ACTIVITIES:

Sahara Petrochemicals Company (the "Company") is a Saudi Joint Stock Company and registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 1010199710 issued in Riyadh on 19 Jumada'I 1425 H (7 July 2004). The Company is principally involved in investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

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

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

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

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

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

These condensed interim financial statements were approved by the Board of Directors on May 11, 2017.

2. BASIS OF PREPARATION

a) Statement of compliance with IFRS

For financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present 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 SOCPA ("IFRSs").

These condensed interim financial statements ("the interim financial statements") have been prepared in accordance with IAS 34. These are the Company's first interim financial statements prepared in accordance with IFRSs and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied.

For all periods up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by Saudi Organization of Certified Public Accountants ("SOCPA"). Refer to Note 4 for information on how the Company's financial statements are impacted by the adoption of IFRSs. Details of the Company's accounting policies are included in Note 3.

b) Basis of measurement

The condensed interim financial statements have been prepared on historical cost basis, with exception of available for sale investments, derivative financial instruments that are measured at fair value and end of service obligation which is measured at projected unit credit method (PUCM). Significant accounting policies adopted by the Company for preparing these condensed interim financial statements have been consistently applied to all the periods presented.

c) Functional and presentation currency

These condensed interim financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company. All amounts have been rounded to the nearest thousands, unless otherwise stated.

2. BASIS OF PREPARATION (continued)

d) New standards and interpretations not yet adopted

- **IFRS 15 – 'Revenue from Contracts with Customers'**

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

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

  Management is currently in the process of assessing the impact of this standard on Company's financial statements.

  Mandatory application date / Date of adoption by the Company
  Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Company: 1 January 2018.

- **IFRS 16 – 'Leases'**

  The IASB has issued a new standard for the recognition of leases. This standard will replace:
  - IAS 17 – 'Leases'
  - IFRIC 4 – 'Whether an arrangement contains a lease'
  - SIC 15 – 'Operating leases – Incentives'
  - SIC 27 – 'Evaluating the substance of transactions involving the legal form of a lease'

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

  Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  Management is currently in the process of assessing the impact of this standard on Company's financial statements.

  Mandatory application date / Date of adoption by the Company
  Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the Company: 1 January 2019.

- **IFRS 9 – 'Financial Instruments'**

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

  Management is currently in the process of assessing the impact of this standard on Company's financial statements.

2. BASIS OF PREPARATION (continued)

d) New standards and interpretations not yet adopted (continued)

Mandatory application date / Date of adoption by the Company

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

e) Use of estimates and judgements

The preparation of the condensed interim financial statements requires the use of accounting estimates which, by definition, will rarely equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

The use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of expenses is in conformity with IFRS requirements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the condensed interim financial statements are as follows:

i) Useful lives of property and equipment

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

ii) Joint venture arrangements

The Company is party to the following joint arrangements:

- Al Waha – 75% shareholding
- SAMAPCO – 50% shareholding.

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

iii) Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently

2. BASIS OF PREPARATION (continued)

e) Use of estimates and judgements (continued)

reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the interim statement of profit and loss and other comprehensive income. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

iv) Impairment of available for sale investments

Management exercises judgement to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. With respect to of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgement. Management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

v) Zakat

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

vi) Defined benefit plans (end of service benefits)

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

3. SIGNIFICANT ACCOUNTING POLICIES:

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

a) Property and equipment

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

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

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

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

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

Capital work in progress is stated at cost less impairment, if any, and is not depreciated until the asset is brought into commercial operations. Leasehold land improvements are amortized on a straight line basis over the shorter of its useful life or the term of the lease. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the interim statement of profit and loss and other comprehensive income.

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

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

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

b) Intangible assets

Intangible assets are identifiable non-monetary assets which lack physical substance. Intangible assets in the interim statement of financial position include software costs including expenditure to acquire and implement such software. Intangible assets are capitalized and amortized using the straight-line method over the useful life of each intangible asset.

Intangible assets are carried at costs less accumulated amortization and impairment (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

c) Investment in joint ventures and associates

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

Equity method:

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

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

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

d) Financial assets

Available for sale investments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

d) Financial assets (continued)

Held-to-maturity investments

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

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

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

e) Cash and cash equivalents

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

f) Borrowings

Loans are recognized initially at the proceeds received (being the fair value) net of transaction costs incurred. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised under profit and loss items in the interim statement of profit and loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

g) Employee benefits

i) Employees' end of service benefits

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under 'General and administrative expenses' in the statement of profit or loss:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

g) Employee benefits (continued)

ii) Employees' home ownership program (continued)

The Company has a home ownership program that offers eligible Saudi employees home ownership opportunities. Costs incurred on the construction of houses are accumulated and recorded as capital work-in-progress under property and equipment until the time the construction is completed. When the houses are transferred to the employees, the respective costs are transferred from property and equipment to non-current prepaid employment benefit (asset account) and amortised over the service period until such the entire house cost is recovered and the title is transferred. The service period will be estimated at each reporting date including the impact of assumed future salary increases. Though the full cost is incurred up front, no interest income will be recognized due to the absence of actual plan assets and consequently no investment income will be generated.

h) Derivative financial instruments

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

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

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

i) Provisions

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

j) Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

k) Zakat

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

l) Other income

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

- Interest is recognised using effective interest method;
- Royalties are recognised on accrual basis in accordance with the substance of relative agreement; and
- Dividends are recognised when the right to receive payment is established.

m) Expenses

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

n) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends approved by the shareholders of the Company are recorded in the financial statements in the period in which they are approved.

o) Leases

i) Finance leases

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

ii) Operating leases

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

p) Foreign currency translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

q) Segment reporting

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

r) Offsetting of financial instruments

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

s) Statutory reserve

In accordance with Company's Articles of Association and by laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

t) Fair value measurement

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed interim financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

t) Fair value measurement

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4. FIRST TIME ADOPTION OF IFRS OF IFRS

As stated in Note 2, these are the Company's first condensed interim financial statements prepared in accordance with IFRSs and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied.

The accounting policies set out in Note 3 have been applied consistently across all the periods presented.

In preparing its first condensed interim financial statements, the Company has adjusted amounts reported previously in opening statement of financial position as at January 1, 2016 and the financial statements for the year ended December 31, 2016 prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by Saudi Organization of Certified Public Accountants ("SOCPA"). An explanation of how the transition from SOCPA to IFRSs has affected the Company's financial position and financial performance is set out in the tables 4.2 to 4.7 and the notes that accompany the tables.

4.1 Exemptions applied

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

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

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

	Note	Under SOCPA as at December 31, 2016	Deconsolidation of a subsidiary (Note A)	Reclassi-fications	Remeasure-ments due to conversion	Under IFRS as at January 1, 2016
Non Current Assets:						
Property, plant and equipment	G,H	3,612,563	(3,316,161)	1,575	10,987	**308,964**
Intangible assets		29,810	(5,154)	-	-	**24,656**
Project development costs	G	1,575	-	(1,575)	-	-
Investments in joint ventures and associates	B,C	2,593,951	1,680,541	-	(448,704)	**3,825,788**
Long-term investments	F	315,483	-	-	(496)	**314,987**
Total Non Current Assets		6,553,382	(1,640,774)	-	(438,213)	**4,474,395**
Current Assets:						
Inventories		282,283	(282,283)	-	-	-
Short-term investments	E	-	-	100,000	-	**100,000**
Prepayments and other current assets	I	90,213	(36,457)	-	4,582	**58,338**
Trade receivables		278,160	(278,160)	-	-	-
Murabaha deposits		245,000	-	-	-	**245,000**
Cash and cash equivalents	E	1,042,011	(379,499)	(100,000)	-	**562,512**
Total Current Assets		1,937,667	(976,399)	-	4,582	**965,850**
Total Assets		8,491,049	(2,617,173)	-	(433,631)	**5,440,245**
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity:						
Share capital		4,387,950	-	-	-	**4,387,950**
Statutory reserve		202,169	-	-	-	**202,169**
Revaluation reserve	F	-	-	-	(496)	**(496)**
Retained earnings	B,C,D,H,I	909,047	-	-	(457,183)	**451,864**
Total shareholders' equity		5,499,166	-	-	(457,679)	**5,041,487**
Non-controlling interest		574,802	(574,802)	-	-	-
Total equity		6,073,968	(574,802)	-	(457,679)	**5,041,487**
Non Current Liabilities						
Long-term borrowings		1,921,587	(1,687,743)	-	-	**233,844**
Employees' end of service benefits	D	65,644	(17,774)	-	24,048	**71,918**
Deferred revenue		59,771	(59,771)	-	-	-
Total Non Current Liabilities		2,047,002	(1,765,288)	-	24,048	**305,762**
Current Liabilities:						
Current portion of long term borrowings		112,345	(112,345)	-	-	-
Trade payables		33,696	(27,301)	-	-	**6,395**
Accrued expenses and other current liabilities		186,484	(129,287)	-	-	**57,197**
Provision for Zakat and income tax		37,554	(8,150)	-	-	**29,404**
Total Current Liabilities		370,079	(277,083)	-	-	**92,996**
Total Liabilities		2,417,081	(2,042,371)	-	24,048	**398,758**
Total shareholders' equity and liabilities		8,491,049	(2,617,173)	-	(433,631)	**5,440,245**

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

4.3 Equity reconciliation of SOCPA to IFRS as at March 31, 2016

	Note	Under SOCPA as at March 31, 2016	Deconsolidation of a subsidiary (Note A)	Reclassi-fications	Remeasure-ments due to conversion	Under IFRS as at March 31, 2016
Non Current Assets:						
Property, plant and equipment	G,H	3,607,686	(3,271,709)	1,583	10,987	**348,547**
Intangible assets		28,977	(4,882)	-	-	**24,095**
Project development costs	G	1,583	-	(1,583)	-	-
Investments in joint ventures and associates	B,C	2,501,411	1,718,644	-	(448,418)	**3,771,637**
Long-term investments	F	316,342	-	-	(2,363)	**313,979**
Total Non Current Assets		6,455,999	(1,557,947)	-	(439,794)	**4,458,258**
Current Assets:						
Inventories		256,689	(256,689)	-	-	-
Prepayments and other current assets	I	90,797	(31,783)	-	4,582	**63,596**
Trade receivables		325,088	(325,088)	-	-	-
Murabaha deposits		420,000	-	-	-	**420,000**
Cash and cash equivalents		1,138,596	(559,032)	-	-	**579,564**
Total Current Assets		2,231,170	(1,172,592)	-	4,582	**1,063,160**
Total Assets		8,687,169	(2,730,539)	-	(435,212)	**5,521,418**
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity:						
Share capital		4,387,950	-	-	-	**4,387,950**
Statutory reserve		202,169	-	-	-	**202,169**
Revaluation reserve	F	1,468	-	-	(2,363)	**(895)**
Retained earnings	B,C,D,H,I	963,599	-	-	(457,081)	**506,518**
Total shareholders' equity		5,555,186	-	-	(459,444)	**5,095,742**
Non-controlling interest		587,503	(587,503)	-	-	-
Total equity		6,142,689	(587,503)	-	(459,444)	**5,095,742**
Non Current Liabilities:						
Long-term borrowings		1,922,953	(1,689,109)	-	-	**233,844**
Employees' end of service benefits	D	64,890	(14,175)	-	24,232	**74,947**
Deferred revenue		58,852	(58,852)	-	-	-
Total Non Current Liabilities		2,046,695	(1,762,136)	-	24,232	**308,791**
Current Liabilities:						
Current portion of long-term borrowings		112,345	(112,345)	-	-	-
Trade payables		30,928	(27,647)	-	-	**3,281**
Accrued expenses and other current liabilities		309,958	(232,758)	-	-	**77,200**
Provision for Zakat and income tax		44,554	(8,150)	-	-	**36,404**
Total Current Liabilities		497,785	(380,900)	-	-	**116,885**
Total Liabilities		2,544,480	(2,143,036)	-	24,232	**425,676**
Total shareholders' equity and liabilities		8,687,169	(2,730,539)	-	(435,212)	**5,521,418**

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

4.4 Profit and loss and other comprehensive income reconciliation of SOCPA to IFRS for the three month period ended March 31, 2016

	Note	Under SOCPA for the period ended March 31, 2016	Deconsolidation of a subsidiary (Note A)	Remeasure-ments due to conversion	Under IFRS for the period ended March 31, 2016
Sales		418,572	(418,572)	-	-
Cost of sales		(309,996)	309,996	-	-
Gross Profit		108,576	(108,576)	-	-
Operating expenses:					
Selling and distribution costs		(28,742)	28,742	-	-
General and administrative expenses	D	(20,640)	15,426	(148)	**(5,362)**
		(49,382)	44,168	(148)	**(5,362)**
Operating income		59,194	(64,408)	(148)	**(5,362)**
Other income/(expenses)					
Share of profit from joint ventures and associates	B	21,385	38,103	286	**59,774**
Financial charges	D	(16,960)	16,299	(36)	**(697)**
Financial income		8,638	(787)	-	**7,851**
Others-net		1,996	(1,908)	-	**88**
Income before Zakat and tax and non-controlling interest		74,253	(12,701)	102	**61,654**
Zakat and tax charge		(7,000)	-	-	**(7,000)**
Net income before non-controlling		67,253	(12,701)	102	**54,654**
Non-controlling interest		(12,701)	12,701	-	-
Net income for the period		54,552	-	102	**54,654**
Other comprehensive items:					
Changes in the fair value of available for sale investments		-	-	(399)	**(399)**
Total comprehensive income for the period		54,552	-	(297)	**54,255**

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

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

	Note	Under SOCPA as at December 31, 2016	Deconsolidation of a subsidiary (Note A)	Reclassi-fications	Remeasure-ments due to conversion	Under IFRS as at December 31, 2016
Non Current Assets:						
Property, plant and equipment	G,H	3,686,257	(3,213,565)	3,733	10,987	**487,412**
Intangible assets		26,605	(4,066)	-	-	**22,539**
Project development costs	G	3,733		(3,733)	-	-
Investments in joint ventures and associates	B,C	2,403,047	1,729,428	-	(414,320)	**3,718,155**
Long-term investments	F	284,635	-	-	(753)	**283,882**
Total Non Current Assets		6,404,277	(1,488,203)	-	(404,086)	**4,511,988**
Current Assets:						
Inventories		228,107	(228,107)	-	-	-
Prepayments and other current assets	I	50,861	(11,369)	-	4,582	**44,074**
Trade receivables		375,534	(375,534)	-	-	-
Murabaha deposits		300,000	-	-	-	**300,000**
Cash and cash equivalents		1,728,145	(650,471)	-	-	**1,077,674**
Total Current Assets		2,682,647	(1,265,481)	-	4,582	**1,421,748**
Total Assets		9,086,924	(2,753,684)	-	(399,504)	**5,933,736**
SHAREHOLDERS' EQUITY AND						
Shareholder's equity:						
Share capital		4,387,950	-	-	-	**4,387,950**
Statutory reserve		243,109	-	-	-	**243,109**
Fair value reserve		(6,201)	-	-	-	**(6,201)**
Revaluation reserve	F	9,295	-	-	(753)	**8,542**
Retained earnings	B,C,D,H,I	1,055,911	-	-	(423,533)	**632,378**
Total shareholders' equity		5,690,064	-	-	(424,286)	**5,265,778**
Non-controlling interest		569,705	(569,705)	-	-	-
Total equity		6,259,769	(569,705)	-	(424,286)	**5,265,778**
Non Current Liabilities:						
Long-term borrowings		2,000,398	(1,575,398)	-	-	**425,000**
Employees' end of service benefits	D	77,870	(17,085)	-	24,782	**85,567**
Derivative financial instruments		8,618	(6,981)	-	-	**1,637**
Deferred revenue		56,093	(56,093)	-	-	-
Total Non Current Liabilities		2,142,979	(1,655,557)	-	24,782	**512,204**
Current Liabilities:						
Short term borrowings		249,969	(249,969)	-	-	-
Current portion of long term borrowings		162,345	(112,345)	-	-	**50,000**
Trade payables		13,464	(9,200)	-	-	**4,264**
Accrued expenses and other current liabilities		204,140	(138,150)	-	-	**65,990**
Provision for Zakat and income tax		54,258	(18,758)	-	-	**35,500**
Total Current Liabilities		684,176	(528,422)	-	-	**155,754**
Total Liabilities		2,827,155	(2,183,979)	-	24,782	**667,958**
Total shareholders' equity liabilities		9,086,924	(2,753,684)	-	(399,504)	**5,933,736**

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

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

	Note	Under SOCPA for the year ended December 31, 2016	Deconsolidation of a subsidiary (Note A)	Remeasurements due to conversion	Under IFRS for the year ended December 31, 2016
Sales		1,820,214	(1,820,214)	-	-
Cost of sales		(1,273,110)	1,273,110	-	-
Gross Profit		547,104	(547,104)	-	-
Operating expenses:					
Selling and distribution costs		(99,697)	99,697	-	-
General and administrative expenses	D	(89,688)	63,218	(590)	**(27,060)**
		(189,385)	162,915	(590)	**(27,060)**
Operating income		357,719	(384,189)	(590)	**(27,060)**
Other income/(expenses)					
Share of profit from joint ventures and associates	B	199,024	230,698	39,617	**469,339**
Financial charges	D	(85,213)	83,721	(144)	**(1,636)**
Financial income		53,103	(10,167)	-	**42,936**
Others-net		10,392	(10,315)	-	**77**
Income before Zakat and tax and non-controlling interest		535,025	(90,252)	38,883	**483,656**
Zakat and tax charge		(45,386)	10,015	-	**(35,371)**
Net income before non-controlling		489,639	(80,237)	38,883	**448,285**
Non-controlling interest		(80,237)	80,237	-	-
Net income for the year		409,402	-	38,883	**448,285**
Other comprehensive items:					
Changes in the fair value of available for sale investments		-	-	14,657	**14,657**
Derivative financial instruments designated as hedge		-	-	(337)	**(337)**
Share of other comprehensive income of joint ventures and associates		-	-	(909)	**(909)**
Total comprehensive income for the period		409,402	-	52,294	**461,696**

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

4.7 Summary of IFRS first time adoption adjustments

Notes to the reconciliation of equity as at January 1, 2016, March 31, 2016 and December 31, 2016, and profit and loss for the three month period ended March 31, 2016 and year ended December 31, 2016.

A. Deconsolidation of Al Waha

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

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

B. Transition adjustments in joint ventures and associates

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

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Investment in in joint ventures and associates			
Share in net IFRS adjustments of Al Waha	(113,097)	(115,451)	(111,311)
Share in net IFRS adjustments of TSOC	(44,583)	(35,406)	(37,813)
Share in net IFRS adjustments of SAAC	(9,378)	(6,890)	(6,014)
Share in net IFRS adjustments of SAMAPCO	18,953	(24,456)	(27,351)
Impairment of SAMAPCO	(266,215)	(266,215)	(266,215)
	(414,320)	(448,418)	(448,704)

Statement of profit and loss and other comprehensive income	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Share of profit/(loss) from joint ventures and associates			
Share in net IFRS adjustments of Al Waha	3,447	(4,140)	N/A
Share in net IFRS adjustments of TSOC	(6,770)	2,407	N/A
Share in net IFRS adjustments of SAAC	(3,364)	(876)	N/A
Share in net IFRS adjustments of SAMAPCO	-	2,895	N/A
Impairment of SAMAPCO	46,304	-	N/A
	39,617	286	N/A

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

4.7 Summary of IFRS first time adoption adjustments (continued)

All the adjustment related to the period as at January 1, 2016 have been charged to retained earnings as a part of IFRS conversion.

C. Impairment of investment in SAMAPCO

Triggers for impairment existed at the date of transition to IFRS in relation to Company's investment in SAMAPCO (mainly due to fall in petrochemical product prices) due to which a detailed impairment assessment was carried out. Under SOCPA, as per Company's policy, impairment was only recorded when events or changes in circumstances indicated that their carrying value may exceed the sum of the undiscounted future cash flows expected from use and eventual disposal of non-financial assets (recoverable amount). Due to a change in methodology to assess impairment under IFRS, as set out in policy 3 (c), where recoverable amount is assessed using discounted cash flows, an impairment of SAR 266.2 million was identified at the date of transition. SAMAPCO remained loss-making and there were no indications for reversal of impairment during year ended December 31, 2016.

D. Valuation of end of service benefits liability

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

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Employees' end of service benefits	24,782	24,232	24,048

Statement of profit and loss and other comprehensive income	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Increase in EOSB expense - General and administrative expenses	590	148	-
Increase in EOSB expense - Financial charges	144	36	-
	734	184	-

E. Reclassification of cash equivalents to current financial assets

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

F. Revaluation of Available for sale investments

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

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Long-term investments			
Carrying value	233,340	274,342	295,482
Fair value	232,587	271,979	294,986
Unrealized gain/(loss) on valuation	(753)	(2,363)	(496)

Expressed in Saudi Arabian Riyals in thousands

4. FIRST TIME ADOPTION OF IFRS OF IFRS (continued)

4.7 Summary of IFRS first time adoption adjustments (continued)

G. Reclassification of project development costs

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

The details of the adjustments have been summarized below:

Statement of financial position	As at December 31, 2016	As at March 31, 2016	As at January 1, 2016
Property and equipment			
Reclassification to property and equipment	3,733	1,583	1,575
	3,733	1,583	1,575

H. Capitalization of borrowing costs

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

I. Prepayments and other current assets

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

5. PROPERTY AND EQUIPMENT

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

	At January 1, 2017	Additions	Transfers/ disposals	At March 31, 2017
Cost:				
Buildings and leasehold land improvements	106,844	-	-	**106,844**
Furniture, fixtures and office equipment	35,024	379	-	**35,403**
Vehicles	2,819	-	-	**2,819**
Capital work in progress	386,830	44,680	-	**431,510**
	531,517	45,059	-	**576,576**
Accumulated Depreciation				
Buildings and leasehold land improvements	(17,769)	(817)	-	**(18,586)**
Furniture, fixtures and office equipment	(24,365)	(982)	-	**(25,347)**
Vehicles	(1,971)	(151)	-	**(2,122)**
	(44,105)	(1,950)	-	**(46,055)**
Net book value as at 31 March, 2017	487,412	43,109	-	**530,521**

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

ii) Capital work in progress is in relation to projects which are not yet completed and are still under construction. This primarily includes housing project for the employees which amounts to SAR 368.8 million. The amount of borrowing costs capitalized during the period ended March 31, 2017 was SAR 5.0 million.

Expressed in Saudi Arabian Riyals in thousands

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Note	As at March 31, 2017	As at December 31, 2016
Investment in joint ventures	6.1	**1,698,297**	1,667,718
Investment in associates	6.2	**2,122,161**	2,050,437
		3,820,458	3,718,155

6.1 Investment in joint ventures:

	As at March 31, 2017	As at December 31, 2016
Investment:		
Al Waha	**1,646,727**	1,616,148
SAMAPCO	-	-
	1,646,727	1,616,148
Advances to a joint venture:		
SAMAPCO	**51,570**	51,570
	1,698,297	1,667,718

6.2 Investments in Associates:

	As at March 31, 2017	As at December 31, 2016
Investment in associates:		
TSOC	**1,874,272**	1,809,623
SAAC	**167,815**	160,740
	2,042,087	1,970,363
Advances to associate:		
SAAC	**80,074**	80,074
	2,122,161	2,050,437

The tables below provide summarised financial information for these joint ventures and associates. The information disclosed reflects the amounts presented in the financial statements of the joint ventures and associates not the Company's share of those amounts.

a) Al Waha Petrochemicals Company

	For three months period ended March 31, 2017	For three months period ended March 31, 2016
Revenue	**422,881**	418,572
Gross profit	**100,857**	105,415
Operating profit	**62,955**	61,247
Net profit	**41,984**	45,284

Expressed in Saudi Arabian Riyals in thousands

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

b) Sahara & Ma'aden Petrochemical Company

	For three months period ended March 31, 2017	For three months period ended March 31, 2016
Revenue	**156,883**	101,543
Gross profit/(loss)	**26,641**	(18,834)
Operating profit	**(350)**	(37,205)
Net profit	**(16,143)**	(50,144)

c) Tasnee and Sahara Olefins Company

	For three months period ended March 31, 2017	For three months period ended March 31, 2016
Revenue	**212,701**	149,392
Gross profit/(loss)	**29,511**	20,006
Operating profit	**205,088**	173,646
Net profit	**198,615**	171,099

d) Saudi Acrylic Acid Company

	For three months period ended March 31, 2017	For three months period ended March 31, 2016
Revenue	**212,701**	149,392
Gross profit/(loss)	**29,511**	20,006
Operating profit/(loss)	**5,754**	(24,960
Net profit/(loss)	**2,762**	(35,020)

Expressed in Saudi Arabian Riyals in thousands

7. LONG-TERM INVESTMENTS

	As at March 31, 2017	As at December 31, 2016
Available for sales investments	**294,260**	241,882
Held to maturity	**42,000**	42,000
	336,260	283,882

Fair value hierarchy

Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

	As at March 31, 2017	As at December 31, 2016
Available for sales investments - Level 1	**96,975**	84,000
Available for sales investments - Level 2	**197,285**	157,882
	294,260	241,882
Held to maturity - not measured at fair value	**42,000**	42,000
	336,260	283,882

Valuation technique used for the valuation of level 2 investments is based on the fair valuation provided by the Banks.

The carrying value of the other financial assets and financial liabilities of the Company approximate their fair value.

8. LONG TERM BORROWINGS

Facility	Rate	Maturity	As at March 31, 2017	As at December 31, 2016
Current				
Loan from a commercial bank	SIBOR + 2%	2026	**50,000**	50,000
Total current			**50,000**	50,000
Non- Current				
Loan from a commercial bank	SIBOR + 2%	2026	**425,000**	425,000
Total non-current			**425,000**	425,000
Total long term borrowings			**475,000**	475,000

Expressed in Saudi Arabian Riyals in thousands

8. LONG TERM BORROWINGS (continued)

8.1 Loan from a commercial bank

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

Maturity profile of long term borrowings before the deduction of deferred financial charges:

	As at March 31, 2017	As at December 31, 2016
Years ended December 31:		
2016	**-**	-
2017	**50,000**	50,000
2018	**50,000**	50,000
2019	**50,000**	50,000
2020	**50,000**	50,000
2021	**50,000**	50,000
Thereafter	**225,000**	225,000
Total current	**475,000**	475,000

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period ended 31 March, comprise of:

	Note	**March 31, 2017**	March 31, 2016
Salaries, wages and benefits		**38,738**	39,444
Maintenance		**8,319**	7,186
Depreciation and amortization		**2,448**	2,722
Computer-related		**1,040**	830
Rent		**496**	437
Professional services		**312**	390
Others		**4,417**	1,895
		55,770	52,904
Shared service expenses charged to Al Waha	(a)	**(27,882)**	(27,920)
Shared service expenses charged to SAMAPCO	(a)	**(20,682)**	(19,622)
		7,206	5,362

(a) Represents expenses related to salaries and wages of several departments which has been incurred by the Company and charged back to Al Waha & SAMAPCO on the basis of agreed percentage in the shared services agreement.

Expressed in Saudi Arabian Riyals in thousands

10. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties consist of the shareholders, associates, joint ventures and the Company's Board of Directors.

Joint ventures and associates:
Interests in joint ventures and associates is set out in note no. 6.

During the three month period ended March 31, 2017, the Company had the following significant transactions with its related parties:

Related party	Relationship	Nature of transaction	March 31, 2017	March 31, 2016
Al Waha Petrochemicals Company	Joint venture	Shared service expenses	**27,882**	27,920
Sahara & Ma'aden Petrochemicals Company	Joint venture	Shared service expenses	**20,682**	19,622
Saudi Acrylic Acid Company	Associate	Interest income	**857**	732
Tasnee and Sahara Olefins Company	Associate	Dividend received	-	113,926

11. EARNINGS PER SHARE

Earnings per share for the quarter ended March 31, 2017 and 2016 is calculated by dividing the net profit for the period by weighted average number of shares outstanding at the period end. Weighted average number of shares is 438,795,000 as at March 31, 2017 (December 31, 2016: 438,795,000).

12. DIVIDEND

The Board of Directors has recommended a final cash dividend of SR 0.75 per share amounting to SR 329.1 million for the year ended December 31, 2016, subject to the Company's shareholders' approval in the next Annual General Meeting to be held during 2017.

13. SUBSEQUENT EVENTS

The shareholders, in their meeting held on April 18, 2017, approved dividends amounting to SR 329.1 million (SR 0.75 per share).

14. SEGMENT REPORTING

The Company has investment in various companies which are involved in the manufacturing of petrochemical products. The chief operating decision maker (CODM) periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed. The CODM, however, periodically receives summarized financial performance of all of its equity accounted investees. Please refer to Note 6 where this summarized financial performance information has been disclosed in these financial statements.

15. COMMITMENTS AND CONTINGENCIES

The Company has a contingent liability for bank guarantees under credit facility agreement with commercial banks issued in the normal course of the business amounting Saudi Riyals 19.0 million as at 31 March, 2017 (December 31, 2016: Saudi Riyals 26.4 million and Saudi Riyals 30.4 million as at January 1, 2016). The capital expenditure contracted by the Company but not yet incurred until 31 March, 2017 was approximately Saudi Riyals 29.7 million (December 31, 2016: Saudi Riyals 64.1 million and Saudi Riyals 193.6 million as at January 1, 2016).