NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
National Industrialization Company

Riyadh, Kingdom of Saudi Arabia

Scope of audit

We have audited the consolidated balance sheet of National Industrialization Company ("Tasnee" or "the Company"), a Saudi Joint Stock Company and its Subsidiaries ("the Group") as of December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, including the related notes 1 to 36. These consolidated financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements, taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and the consolidated results of its operations, cash flows and changes in equity for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia.

- comply with the relevant provisions of the Regulations for Companies with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.,

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

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Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Jumada II' 17, 1438 (H)
March 16, 2017 (G)

NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2016
(SR'000)

	Note	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**2,906,658**	3,819,070
Accounts receivable	5	**3,257,423**	3,214,500
Inventories	6	**4,163,424**	4,816,171
Prepayments and other current assets	7	**1,274,850**	1,169,035
TOTAL CURRENT ASSETS		**11,602,355**	13,018,776
NON-CURRENT ASSETS			
Investments in available for sale securities	8	**273,342**	751,696
Investments in associated companies, joint venture and others	9	**1,221,966**	1,174,319
Property, plant and equipment	10	**21,645,024**	22,749,453
Projects under progress	11	**4,959,216**	3,734,207
Intangible assets	12	**2,846,795**	2,945,584
Other non-current assets	13	**787,224**	601,013
TOTAL NON-CURRENT ASSETS		**31,733,567**	31,956,272
TOTAL ASSETS		**43,335,922**	44,975,048
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short term bank facilities and murabaha	14	**68,018**	2,017,770
Current portion of long term loans	17	**2,805,911**	4,401,400
Accounts payable	15	**1,993,653**	1,758,048
Accrued expenses and other current liabilities	16	**2,169,611**	1,796,980
TOTAL CURRENT LIABILITIES		**7,037,193**	9,974,198
NON-CURRENT LIABILITIES			
Sukuk and long term loans	17	**21,260,187**	19,913,368
Employees' end of service benefits	18	**414,243**	354,059
Other non-current liabilities	19	**1,109,291**	985,312
TOTAL NON-CURRENT LIABILITIES		**22,783,721**	21,252,739
TOTAL LIABILITIES		**29,820,914**	31,226,937
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	22	**6,689,142**	6,689,142
Statutory reserve		**1,162,687**	1,141,862
Retained earnings		**2,436,591**	2,249,167
Unrealized gains from revaluation of investments in available for sale securities	8	**120,377**	161,507
Other reserves	24	**(2,356,151)**	(2,273,513)
TOTAL SHAREHOLDERS' EQUITY		**8,052,646**	7,968,165
Non-controlling interests	25	**5,462,362**	5,779,946
TOTAL EQUITY		**13,515,008**	13,748,111
TOTAL LIABILITIES AND EQUITY		**43,335,922**	44,975,048

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(SR'000)

	Note	2016	2015
Sales		**15,196,970**	15,145,511
Cost of sales		**(11,724,510)**	(12,932,764)
Gross profit		**3,472,460**	2,212,747
Selling and marketing expenses	26	**(805,506)**	(948,363)
General and administrative expenses	27	**(1,060,953)**	(1,274,292)
Impairment of non-current assets	28	**(9,895)**	(391,989)
Company's share in net income of associated companies	9	**60,262**	28,981
Income/(loss) from main operations		**1,656,368**	(372,916)
Financial charges	14, 17	**(801,063)**	(648,336)
Other income/(expenses), net	29	**177,470**	(280,663)
Income/(loss) before zakat, income tax and non-controlling interests		**1,032,775**	(1,301,915)
Zakat and income tax	21	**(242,806)**	(354,615)
Income/(loss) before non-controlling interests		**789,969**	(1,656,530)
Non-controlling interests	25	**(581,720)**	233,433
NET INCOME/(LOSS) FOR THE YEAR		**208,249**	(1,423,097)
Earnings/(Loss) per share (SR)	30		
Attributable to:			
Net income/(loss) for the year		**0.31**	(2.13)
Income/(loss) from main operations		**2.48**	(0.56)

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(SR'000)

	2016	2015
OPERATING ACTIVITIES		
Net income/(loss) for the year before zakat, income tax and non-controlling interests	**1,032,775**	(1,301,915)
Adjustments for:		
Depreciation and amortization	**1,905,952**	1,827,742
Doubtful debts allowance	**30,735**	7,972
Slow moving inventories allowance	**(35,437)**	128,769
Amortization of deferred gains	**-**	(7,016)
Impairment of non-current assets	**9,895**	391,989
Company's share in net income of associated companies, net	**(60,262)**	(28,981)
Employees' terminal benefits, net	**60,184**	24,495
Cash from operations	**2,943,842**	1,043,055
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	**(179,473)**	1,153,936
Inventories	**688,184**	836,551
Other non-current assets	**(186,211)**	299,933
Accounts payable, accrued expenses and other current liabilities	**365,430**	(281,088)
Other non-current liabilities	**123,979**	(74,433)
Net cash from operating activities	**3,755,751**	2,977,954
INVESTING ACTIVITIES		
Investments in held for trading securities, net	**-**	477,387
Investments in available for sale securities, net	**437,224**	(17,620)
Investments in associated companies, joint venture and others, net	**12,615**	(167,330)
Property, plant and equipment, net	**(660,568)**	(488,740)
Projects under progress, net	**(1,225,009)**	(1,756,420)
Intangible assets, net	**(2,980)**	8,987
Net cash used in investing activities	**(1,438,718)**	(1,943,736)
FINANCING ACTIVITIES		
Short term bank facilities and murabaha, net	**(1,949,752)**	800,421
Sukuk and long term loans and derivative financial instruments	**(380,389)**	813,359
Dividends paid	**-**	(668,914)
Non-controlling interests	**(899,304)**	(2,246,701)
Net cash used in financing activities	**(3,229,445)**	(1,301,835)
Decrease in cash and cash equivalents	**(912,412)**	(267,617)
Cash and cash equivalents at the beginning of the year	**3,819,070**	4,086,687
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,906,658**	3,819,070
NON-CASH TRANSACTIONS:		
Other reserves	**(82,638)**	(1,533,436)
Unrealized gains on revaluation of investments in available for sale securities	**(41,130)**	(30,673)

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(SR'000)

	Share capital	Statutory reserve	Retained earnings	Unrealized gains on revaluation of investments in available for sale securities	Other reserves	Total shareholders' equity	Non-controlling interests	Total equity
January 1, 2015	6,689,142	1,141,862	4,343,178	192,180	(740,077)	11,626,285	7,351,998	18,978,283
Net loss for the year	-	-	(1,423,097)	-	-	(1,423,097)	-	(1,423,097)
Net movements during the year	-	-	-	-	-	-	(1,572,052)	(1,572,052)
Directors' compensation	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends	-	-	(668,914)	-	-	(668,914)	-	(668,914)
Others	-	-	-	(30,673)	(919,647)	(950,320)	-	(950,320)
Currency translation differences	-	-	-	-	(613,789)	(613,789)	-	(613,789)
December 31, 2015	**6,689,142**	**1,141,862**	**2,249,167**	**161,507**	**(2,273,513)**	**7,968,165**	**5,779,946**	**13,748,111**
Net income for the year	-	**-**	**208,249**	**-**	**-**	**208,249**	**-**	**208,249**
Net movements during the year	-	**-**	**-**	**-**	**-**	**-**	**(317,584)**	**(317,584)**
Transfer to statutory reserve	-	**20,825**	**(20,825)**	**-**	**-**	**-**	**-**	**-**
Others	-	**-**	**-**	**(41,130)**	**-**	**(41,130)**	**-**	**(41,130)**
Currency translation differences	-	**-**	**-**	**-**	**(82,638)**	**(82,638)**	**-**	**(82,638)**
December 31, 2016	**6,689,142**	**1,162,687**	**2,436,591**	**120,377**	**(2,356,151)**	**8,052,646**	**5,462,362**	**13,515,008**

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

(SR'000 unless otherwise noted)

1 ORGANIZATION AND ACTIVITIES

National Industrialization Company ("The Company") is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985G). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984G).

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") comprise industrial investment, transfer of advanced industrial technology to the Kingdom in particular, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulfate. It also includes conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing of acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, polyethylene, propylene and polypropylene, owning mines and specialized operations for the production of Al-Rutayl which is the raw material for producing Titanium Dioxide.

2 BASIS OF CONSOLIDATION OF FINANACIAL STATEMENTS

These consolidated financial statements include assets, liabilities and the results of the operations of National Industrialization Company and subsidiaries controlled by the Company ("the Group") as referred below. A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. Control is achieved where the Company has the power to govern the financial and operating policies of the investee company so as to obtain benefits from its activities. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases.

Non-controlling interests have been calculated and reflected separately in the consolidated balance sheet and consolidated statement of income. All significant inter group balances and transactions have been eliminated on consolidation.

All below-mentioned direct subsidiaries are incorporated in the Kingdom of Saudi Arabia, except for TUV – Middle East, which is incorporated in the Kingdom of Bahrain.

The following are the subsidiaries included in these consolidated financial statements and the combined direct and indirect ownership percentages:

		Shareholding (%)	
Company Name	**Legal Form**	**2016**	2015
Al-Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	**100**	100
National Industrialization Petrochemical Marketing Company	Limited liability	**100**	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	**100**	100
National Gulf Company for Petrochemical Technology	Limited liability	**100**	100
National Industrialization Company for Industrial Investments	Limited liability	**100**	100
Saudi Global Makasib for Trading and Industry Company	Limited liability	**100**	100
National Petrochemical Industrialization Company	Limited liability	**100**	100

(SR'000 unless otherwise noted)

Company Name	Legal Form	Shareholding (%) 2016	2015
National Lead Smelting Ltd. Company ("Rassas") and its subsidiary (2)	Limited liability	**100**	100
National Marketing and Industrial Services Company ("Khadamat")	Limited liability	**100**	100
National Operation and Industrial Services Company ("Khadamat")	Limited liability	**88.33**	88.33
National Batteries Company ("Battariat")	Limited liability	**90**	90
Saudi Polyolefins Company	Limited liability	**75**	75
The National Titanium Dioxide Ltd. Company ("Cristal") and its subsidiaries (3)	Limited liability	**79**	79
Advanced Metal Industries Ltd Company (4)	Limited liability	**89.50**	89.50
Tasnee and Sahara Olefins Company and its subsidiaries (5)	Saudi closed joint stock	**60.45**	60.45
Saudi Acrylic Acid Company Ltd. Company ("SAAC") and its subsidiaries (5)	Limited liability	**52.29**	52.29
National Inspection and Technical Testing Company Ltd. ("Fahss")	Limited liability	**69.73**	69.73
TUV – Middle East	Limited liability	**69.73**	69.73

(1) Al-Rowad National Plastic Company

Al-Rowad National Plastic Company ("Rowad") is a Saudi Limited Liability Company with its head office based in Riyadh. The main objectives of the Company and its subsidiaries are the manufacturing of all type of plastic sheets.

Al-Rowad National Plastic Company owns 97% and 62.5% of equity interest in Rowad International Geosynthetics Company Ltd. and Rowad Global Packing Company Ltd. respectively, which are Saudi Limited Liability Companies registered in Riyadh.

(2) National Lead Smelting Company

National Lead Smelting Company ("Rassas") is a Saudi Limited Liability Company with its head office based in Riyadh. The main objective of the Company is the manufacturing of Lead, polypropylene and sodium sulfate.

National Lead Smelting Company owns 100% (direct and indirect ownership) of equity interest in Technical Tetravalent Company for Lead Recycling, a Saudi Limited Liability Company registered in Jeddah.

(3) The National Titanium Dioxide Limited Company

The National Titanium Dioxide Limited Company ("Cristal") is a Saudi Limited Liability Company with its head office based in Jeddah. The main objectives of the Company and its subsidiaries are the production and marketing of Titanium Dioxide.

Cristal owns 100% of equity interest of the following subsidiaries: Cristal Inorganic Chemicals Ltd. located in Cayman Island, Cristal Australia P.T.Y. Ltd. located in Australia and Cristal Metal U.S.A. located in the United States of America and Hong Kong Titanium Products Co. Ltd. located in Hong Kong.

During the first quarter of 2015, Cristal signed an agreement to fully acquire Jiangxy Tico Titanium limited liability company (a company registered in China) which carries out the same activity as Cristal, with a total value of the agreement amounting to SR 158 million (US $ 42 million).

(4) Advanced Metal Industries Ltd Company

Advanced Metal Industries Limited Company ("AMIC") has direct ownership percentage 50% to National Industrialization Company and Cristal Company. AMIC is a Saudi limited liability company registered in Jeddah. Work on plant construction for AMIC is in progress and commercial activity has not commenced.

During first quarter of 2016, Advanced Metal Industries Ltd Company incorporated "Advances Metal Industries Ltd Company and Tohoo for Titanium Metal Ltd Company" ("ATTM") with share capital SR 412 million, 65% owned by Advanced Metal Industries Ltd Company and 35% by Japanese Tohoo for Titanium Metal Company. Work on plant construction for ATTM is in progress and commercial activity has not commenced.

(5) Tasnee and Sahara Olefins Company

The Tasnee and Sahara Olefins Company ("TSOC") is a Saudi Limited Liability Company with its head office based in Jubail. The main objectives of the Company and its subsidiaries are the production and marketing of petrochemical and chemical materials.

Tasnee and Sahara Olefins Company own 75% of equity interests in Saudi Ethylene and Polyethylene Company, which is a Saudi Limited Liability Company registered in Al-Jubail.

Tasnee and Sahara Olefins Company owns 65% of equity interests in Saudi Acrylic Acid Company, a Saudi Limited Liability Company registered in Riyadh, with share capital of SR 1,777 million. Furthermore, Saudi Acrylic Acid Company owns 75% of equity interest in Saudi Acrylic Monomer Company, a Limited Liability Company with share capital of SR 1,084 million, and 75% of Saudi Polymer Acrylic Company (a Saudi Limited Liability Company), established at Jubail Industrial City, with total share capital of SR 416.4 million.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The following is a summary of the significant accounting policies applied by the Group:

Accounting convention
These consolidated financial statements are prepared under the historical cost convention on an accrual basis, except for the measurement at fair value of investment available for sale securities and derivative financial instruments.

Financial year
The financial year of the Group commences on 1 January each year and ends on 31 December of the same year.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash at banks, demand deposits and highly liquid investments with original maturities of three months or less.

Accounts receivable
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods and work-in-process, on the weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on the weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sales. Provision is made for slow-moving and obsolete inventories based on management's estimate.

(SR'000 unless otherwise noted)

Business combination
Acquisition of each business is accounted for by applying the acquisition method. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Acquisition related costs are accounted for as expenses in the periods in which these are incurred.

Investments
Investments in securities held for trading
Investments in readily marketable securities which are bought for trading purposes are stated at fair value. Change in fair value of these investments is recognized in the consolidated statement of income.

Investments in available for sale securities
Investments in available for sale securities represent investments that are bought neither with the intention for trading purposes nor being held to maturity these investments, are stated at fair value. Changes, if material, between the fair value and cost are shown as a separate component in the shareholders' equity. Any decline in value, considered to be other than temporary, is charged to the consolidated statement of income. Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value.

Investments in associates
Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the capital. Investments in associates are accounted for using the equity method of accounting. The Group's share in the results of the investees is reflected in the consolidated statement of income.

Interest in a jointly controlled entity
A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economical activity that is subject to joint control. The Group accounts for these entities in the consolidated financial statements using the equity method of accounting. The Group's share in the results of the investees is reflected in the consolidated statement of income.

Investments in other companies
Investments in other companies are the Group's investments of less than 20% of the capital of the investee companies. Investments in other companies are shown at fair value or at cost if the fair value is not available, less any other than temporary impairment in value.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value except for land and capital work in progress which are stated at cost and are not depreciated. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is calculated over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvements or remaining lease period. Assets held under capital leases are depreciated over the shorter of the useful life of the asset or the lease period.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and construction	10-40
Leasehold improvements	Shorter of the lease term or useful life
Plant, machinery and equipment	5-20
Tools	4-14
Furniture, fixtures and office equipment	3-10
Motor vehicles	4-5
Computers	3
Mines development	5-30
Catalysts	1.5

Projects under progress
Projects under progress include all direct and indirect costs attributed to the projects and are transferred to property, plant and equipment when the project is completed.

Intangible assets
Goodwill
The excess of consideration paid over the fair value of net assets acquired is recorded as "goodwill". Goodwill is periodically re-measured and reported in the consolidated financial statements at carrying value, adjusted by impairment in value, if any. The carrying amount of negative goodwill, if any, is netted off against the fair value of non-current assets.

Pre-operating costs
Pre-operating costs are deferred or capitalized during the development and trial operation period of the new projects which are expected to generate future economic benefit. These costs are amortized as of the date of the commencement of the commercial operations using the straight-line method over the shorter of the estimated useful life or 7 years.

Computer software implementation costs
Computer software implementation costs are amortized using the straight-line method over a period of five years from the date of commencement of operation.

Research and development costs
Research and development costs are charged to the consolidated statement of income for the year it was incurred in, except for the clear and specified projects, in which development costs can be recovered through the commercial activities generated by these projects. In this case, the development costs are considered intangible assets and are amortized using the straight-line method over a period of 7 years.

Other intangible assets
Other intangible assets, consist primarily of trademarks, trade name, know-how and customer relationships, are valued at fair value with the assistance of independent appraisers, effective on the date of acquisition of the subsidiary. Trade name, which is considered an intangible asset with indefinite life and is not amortized but assessed annually for impairment, or when events indicate that impairment may exist.

Other intangible assets also include patents and license costs. These assets are amortized using the straight line method over the shorter of their estimated period of benefit lives or the terms of the related agreement.

Deferred borrowing costs
Deferred borrowing costs are amortized using the straight line method over the term of the related debt.

Exploration costs
Costs before exploration and evaluation are charged to the consolidated statement of income when incurred. Exploration and evaluation costs are capitalized, including licensing obtain costs before the proven of technical and commercial feasibility of the project as tangible or intangible assets according to its nature, when a license is cancelled, the related capitalized costs are charged directly to the consolidated statement of income.

Once a technical and commercial viability of extracting mineral resources is determined, then the related exploration costs will be capitalized and then amortized over the estimated period of benefits.

Turnaround costs
Periodic turnaround costs are capitalized and amortized using the straight-line method over the period extended until the next periodic turnaround. In case of an early turnaround, unamortized cost is charged directly to the consolidated statement of income.

Impairment of non-current assets
The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized in the consolidated statement of income.

Borrowing costs
Borrowing costs are directly attributable to the project under construction during the construction period to be ready to use. Investment income earned on investments of specifically borrowed funds that are pending expenditure on the project under construction is deducted from the capitalized borrowing costs.

Payables
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision for obligations
A provision is recognized in the consolidated financial statements when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Zakat and income tax
Zakat
Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Differences, if any, arising from the final assessments are adjusted in the year of their finalization.

Income tax
Foreign shareholders in subsidiaries are subject to income tax which is included in non-controlling interests. For the subsidiaries that are outside the Kingdom of Saudi Arabia, income tax liabilities are provided in accordance with relevant tax jurisdictions in these countries and the Company's share is included in the consolidated statement of income.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are recognized for all temporary differences at the taxation rates applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Leases
Operating leases
Rentals payments under operating leases are charged to consolidated statement of income on a straight-line basis over the term of the operating lease period.

Capital leases
Leases and sale and leaseback transactions are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Group within property, plant and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of return on the remaining balance of the obligations for each accounting period.

Gains from increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term period.

Employees' end of services benefits
Provision is made for Employees' end of services benefits, required by labor law, is provided based on the employees' length of service at each consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Dividends
Dividends are recorded in the consolidated financial statements in the period in which they are approved.

Statutory reserve
In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income. According to the Company's Articles of Association may stop the established to the reserve when equals to 50% of the share capital. This reserve is not available for dividend distribution.

Sales
Sales represent the invoiced value of goods/services delivered or rendered to customers and are recognized upon the delivery of goods/services and are stated net of trade or quantity discounts.

Some of subsidiary companies market their products through subsidiaries owned by the shareholders (referred hereto as "the Marketers"). Sales are made directly to the final customers and to the Marketers in Europe. Sales made through distribution stations of the Marketers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the Marketers from the final customer after deducting the cost of shipping, distribution and marketing.

Cost of sales
Cost of sales includes all direct costs of production, including direct labour, direct materials, and overheads attributable to production**.**

Expenses
Selling and marketing expenses principally comprise of costs incurred in marketing and sale of the subsidiaries products. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically attributable to cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Derivative Financial Instruments
The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge the exposure to foreign exchange risks arising from operational, financing and investment activities and certain portions of interest rate risks arising from financing activities.

The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Derivative financial instruments are initially measured at fair value on the contract inception date and are measured subsequently at fair value.

Changes in the fair value of derivative financial instruments that are designated as effective are recognized in equity, if material, and the ineffective portion is recognized in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, the associated gain or loss on the derivative that had previously been recognized in equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the consolidated statement of income in the same period in which the hedged item affects net profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the year.

Non-controlling interests
Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Losses applicable to the minority interest in excess of its share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All gains or losses resulted from settlements or foreign currency translations are taken to the consolidated statement of income.

Financial statements of foreign subsidiaries are translated into Saudi Riyals using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each year for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in selling providing products or services within a selling particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Transition to IFRS
SOCPA has approved a plan for transition to International Financial Reporting Standards. The plan requires that effective from January 1, 2017 all the companies listed on Saudi Stock Exchange ("Tadawul") shall prepare their financial statements in accordance with the International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the SOCPA ("IFRS"). Accordingly, effective from January 1, 2017, the Company shall prepare its consolidated financial statements in accordance with IFRS.

4 CASH AND CASH EQUIVALENTS	**2016**	**2015**

(SR'000 unless otherwise noted)

Bank balances and cash	**1,314,362**	3,134,797
Short term deposits and murabaha	**1,592,296**	684,273
	2,906,658	3,819,070

Short-term deposits and murabaha are placed for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

5 ACCOUNTS RECEIVABLE

	2016	**2015**
Trade accounts receivable	**2,206,025**	1,876,532
Due from related parties - trade (note 20)	**1,180,738**	1,436,573
Less: doubtful debt allowance	**(129,340)**	(98,605)
	3,257,423	3,214,500

Movements in the allowance for doubtful debts were as follows:

	2016	**2015**
At the beginning of the year	**98,605**	90,633
Movement during the year	**55,964**	123,394
Written-off during the year	**(25,229)**	(115,422)
At the end of the year	**129,340**	98,605

6 INVENTORIES

	2016	**2015**
Finished goods	**1,443,590**	2,091,359
Raw materials	**1,394,113**	1,422,801
Spare parts	**932,006**	915,892
Work in progress	**572,225**	600,066
	4,341,934	5,030,118
Less: slow moving inventories allowance	**(178,510)**	(213,947)
	4,163,424	4,816,171

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	**2015**
Non-trade receivables	**487,150**	373,750
Prepaid expenses	**372,093**	406,028
Employees' receivables and housing loans	**230,283**	212,381
Advances to suppliers	**153,594**	49,727
Due from related parties - non-trade (note 20)	**400**	102,268
Other current assets	**31,330**	24,881
	1,274,850	1,169,035

8 INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This represents the Groups' investments in local quoted companies for an amount of SR 202 thousands (2015: SR 410 thousands) and international companies for an amount of SR 71 thousands (2015: 341 thousands).

The movement of the investments during the year was as follows:

(SR'000 unless otherwise noted)

	2016	**2015**
Cost:		
At the beginning of the year	**590,189**	572,569
Additions	**-**	17,620
Disposals	**(437,224)**	**-**
At the end of the year	**152,965**	590,189
Unrealized gains:		
At the beginning of the year	**161,507**	192,180
Unrealized losses during the year	**(41,130)**	(30,673)
At the end of the year	**120,377**	161,507
Net book value	**273,342**	751,696

Dividends received from investments in available for sale securities amounted to SR 23.2 million (2015: SR 37.9 million), also the realized gain from sale of available for sale securities amounted to SR 140.3 million (2015: SR nil) which was recorded under other income in the consolidated statement of income (note 29).

9 INVESTMENTS IN ASSOCIATED COMPANIES, JOINT VENTURE AND OTHERS

Investments in associated companies, joint venture and others as at December 31, are as follows:

	Ownership Percentage %			
	2016	**2015**	**2016**	**2015**
National Metal Manufacturing and Casting Company ("Maadania")	**35.45**	35.45	**146,129**	143,156
Saudi Claryant for Colorants Ltd Company	**40.00**	40.00	**130,901**	126,974
Total investments in associated companies			**277,030**	270,130
Jointly controlled entity:				
Saudi Butanol Ltd Company	**33.33**	33.33	**533,641**	491,313
Other investments			**411,295**	412,876
Total investments in associated companies, joint venture and others			**1,221,966**	1,174,319

The movement of investments in associates and others was as follows:

	2016	**2015**
Balance at the beginning of the year	**1,174,319**	989,037
Company's share in net income for the year	**60,262**	28,981
Additions during the year (*)	**-**	213,116
Disposals during the year (**)	**-**	(36,801)
Dividends received	**(12,615)**	(8,985)
Impairment of investments in associates and others	**-**	(11,029)
Balance at the end of the year	**1,221,966**	1,174,319

(*) Additions during 2016 mainly consist of an increase of SR Nil (2015: mainly consist of an increase of SR 168 million in the share capital of Industrialization and Energy Services Company).

(**) During the fourth quarter of 2015, the Company sold all its shareholding in the equity of National Packing Products Co. Ltd (Waten-Pac), resulting in capital gains amounting to SR 31 million (note 29).

(SR'000 unless otherwise noted)

10 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Plant, Machinery and equipment	Tools	Furniture, fixtures and office equipment	Motor vehicles	Computers	Mines development	Catalysts	Capital works in progress	Total
Cost:										
As at 1/1/2016	3,910,540	25,154,582	7,619	103,208	75,658	25,632	1,111,486	57,721	2,558,697	33,005,143
Additions	22,010	239,350	26	2,651	1,299	-	19	53,000	490,992	809,347
Disposals	-	(36,164)	(603)	(2,251)	(1,936)	(739)	(1,471)	(54,707)	(4,836)	(102,707)
Transfers/adjustments	386,145	448,918	-	74	-	-	(288,637)	-	(546,500)	-
Foreign currency translation adjustments, net	(27,256)	(149,566)	-	55	-	-	(7,636)	-	(3,017)	(187,420)
As at 31/12/2016	4,291,439	25,657,120	7,042	103,737	75,021	24,893	813,761	56,014	2,495,336	33,524,363
Depreciation and impairment:										
As at 1/1/2016	774,440	8,797,407	3,460	77,753	63,192	22,108	468,551	48,779	-	10,255,690
Charge for the year	182,057	1,448,594	7	9,796	4,703	758	95,167	14,020	-	1,755,102
Disposals	-	(754)	(507)	(1,790)	(1,641)	(739)	-	(54,707)	-	(60,138)
Transfers/adjustments	5,740	32,806	-	(120)	(282)	(3)	(38,141)	-	-	-
Impairment of assets	-	9,895	-	-	-	-	-	-	-	9,895
Foreign currency translation adjustments, net	2,619	(76,728)	-	225	-	-	(7,326)	-	-	(81,210)
As at 31/12/2016	964,856	10,211,220	2,960	85,864	65,972	22,124	518,251	8,092	-	11,879,339
Net book value:										
As at 31 December 2016	**3,326,583**	**15,445,900**	**4,082**	**17,873**	**9,049**	**2,769**	**295,510**	**47,922**	**2,495,336**	**21,645,024**
As at 31 December 2015	3,136,100	16,357,175	4,159	25,455	12,466	3,524	642,935	8,942	2,558,697	22,749,453

- Included in land, buildings and constructions a non-depreciable land with a total cost of SR 115 million (2015: SR 109 million).

- Included in land, buildings and constructions the cost of leasehold improvements with a net book value of SR 5.9 million (2015: SR 7.3 million).

(SR'000 unless otherwise noted)

- Capital work in progress as at 31 December 2016 and 2015 mainly consist of costs of expansion of housing project for employees, safety and environment improvement costs, competency costs, cost saving and other factories owned by some of the subsidiaries, and expansion of facilities of production lines. The capitalized borrowing costs during 2016 amounted to SR 3.2 million (2015: SR 5.6 million).
- Certain lands on which certain factories and facilities of the subsidiaries are situated was leased from the Royal Commission for Jubail and Yanbu at nominal rents, for periods up to 30 years, renewable for further periods.
- Certain subsidiaries' property, plant and equipment are mortgaged as security against loans extended to those companies (notes 14 and 17).

11 PROJECTS UNDER PROGRESS

	2016	2015
Advanced Metal Industries Ltd Company *	**4,347,169**	2,828,622
Other projects	**612,047**	905,585
	4,959,216	3,734,207

* Advanced Metal Industries Ltd Company projects as at December 31, 2016 mainly consist of:

- i) Costs of establishing a factory for the processing of Alalmnit as an additional source of the raw materials for the production of Titanium Dioxide at Jizan by AMIC. The total estimated cost of the project is SR 3.1 billion, and it is anticipated that the project will commence production during the first half of 2017; and
- ii) Costs of establishing a factory for production of Titanium Metal Sponge by ATTM, with a total estimated cost of SR 1.7 billion. It is anticipated that the project will commence production during the second half of 2017.

During 2016, an amount of SR 148.9 million (2015: SR 44.6 million) has been capitalized, representing borrowing cost directly related to the projects under progress.

12 INTANGIBLE ASSETS

	2016	2015
Goodwill (a)	**2,406,303**	2,410,745
Software implementation, technology and other intangible assets, net (b)	**437,134**	532,592
Pre-operating expenses and deferred costs, net	**3,358**	2,247
	2,846,795	2,945,584

(a) Goodwill

Impairment review
Goodwill is tested annually for any impairment by the Group's management. To perform that, cash generating units are identified. As a result of the goodwill assessment test performed during the year ended 31 December 2016, management found no evidence of impairment in goodwill. Impairment identified in 2015 in a subsidiary of Cristal was recorded in the consolidated statement of income (note 28). In the 2015 test, the recoverable amount was determined based on calculating the present value of expected cash flows for fifteen years, using financial budgets approved by the management. An estimated growth rate of 3% was applied on cash flows in excess of the duration of the financial budgets. Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the company's activities.

(b) During the year ended 31 December 2016, a subsidiary of Cristal Company recognized impairment in the other non-intangible assets amounting to SR 9.9 million (2015: SR 133.19). The management believes that they have no benefits in the future (note 28).

(SR'000 unless otherwise noted)

13 OTHER NON-CURRENT ASSETS

	2016	2015
Exploration and evaluation costs, net	**392,337**	229,815
Deferred taxes	**233,426**	307,334
Others	**161,461**	63,864
	787,224	601,013

14 SHORT TERM BANK FACILITIES AND MURABAHA

The Group had short term credit facilities during 2016 amounting SR 324 million (2015: SR 2,295 million), the balances as at 31 December 2016 was SR 68 million (2015: SR 2,018 million). These credit facilities are secured by promissory notes to the benefit of the banks and financial institutes and other pledges, and carry commission according to prevailing commercial rates.

15 ACCOUNTS PAYABLE

	2016	2015
Trade payables	**1,986,687**	1,739,650
Due to related parties (note 20)	**6,966**	160
Other payables	**-**	18,238
	1,993,653	1,758,048

16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015
Accrued expenses	**667,096**	922,087
Other payables	**617,346**	180,381
Provision for zakat and income tax	**506,675**	358,350
Accrued employees' benefits	**280,665**	176,877
Dividends payable	**93,811**	93,811
Provision for research and development	**-**	31,175
Other current liabilities	**4,018**	34,299
	2,169,611	1,796,980

17 SUKUK AND LONG TERM LOANS

	2016	2015
Sukuk:		
First issue	**2,000,000**	2,000,000
Loans:		
Saudi Industrial Development Fund (a)	**2,660,017**	2,554,377
Commercial banks and others (b)	**19,747,532**	20,168,494
Total sukuk and long term loans	**24,407,549**	24,722,871
Less: current portion	**(2,805,911)**	(4,401,400)
Deferred financing costs, net	**(341,451)**	(408,103)
Non-current portion	**21,260,187**	19,913,368

SUKUK

On Jumada Al-Thani 30, 1433H, (corresponding to May 21, 2012G), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1 million each, with no discount or premium. This is the first issuance of sukuk under a sukuk program approved to be issued over various periods. The Sukuk issuance bears a variable rate of return at SIBOR plus a pre-determined margin, payable semi-annually in advance. The Sukuk is repayable at maturity at par value on its expiry date of Ramadan 16, 1440H (corresponding May 21, 2019G).

(SR'000 unless otherwise noted)

LONG TERM LOANS

a) Saudi Industrial Development Fund ("SIDF")

The Group has obtained long term loans and facilities from the Saudi Industrial Development Fund for an amount of SR 4,605 million (2015: SR 3,597 million). The total outstanding balance of these loans and facilities as at 31 December 2016 amounted to SR 2,660 million (2015: SR 2,554 million). These loans are subject to repayment on different installments starting on various different dates commencing from September 2006. Some of these loans are secured by mortgage on some assets owned by some subsidiaries, promissory notes and guarantees from the shareholders.

b) Commercial banks and others

The Group has obtained long term loans and facilities from commercial banks for a total amount of SR 20,423 million (2015: SR 25,304 million). The outstanding balance of these loans and facilities as at 31 December 2016 amounted to SR 19,748 million (2015: SR 20,168). These loans and facilities are secured by promissory notes, mortgages on certain assets of subsidiaries and guarantees of the partners.

These loans carry commission at normal commercial rates.

Some of the above-mentioned loan agreements with commercial banks and SIDF and the Group contain financial covenants. Where the Group is in breach of some of these covenants, agreement has been received from all the relevant banks to wave such requirements until 30 June 2017.

18 EMPLOYEES' END OF SERVICE BENEFITS

	2016	2015
January 1	**354,059**	329,564
Provision for the year	**78,522**	69,024
Utilization of provision	**(18,338)**	(44,529)
December 31	**414,243**	354,059

19 OTHER NON-CURRENT LIABILITIES

	2016	2015
Deferred income tax liabilities	**260,155**	460,788
Provision for maintenance and mine closure	**151,881**	134,510
Asset retirement obligation	**128,758**	79,173
Pension and other post-retirement benefits	**115,498**	133,079
Derivative financial instruments	**15,733**	-
Others	**437,266**	177,762
	1,109,291	985,312

20 RELATED PARTIES TRANSACTIONS AND BALANCES

The significant transactions and related approximate amounts during the year were as follows:

	2016	2015
Sales	**5,471,907**	4,769,178
Allowances, expenses, salaries and benefits for Board of Directors, committees and senior management	**29,886**	27,805

The above transactions were conducted during the normal course of business and the terms and conditions were approved by the management.

Some of the subsidiaries have signed marketing and sales agreements with their foreign partners (referred to as the "marketers"), whereby the marketers agreed to market some of companies products at pre-agreed prices in accordance with the agreements. The agreements specify the marketing responsibilities, quantities to be marketed by the marketers, geographical territories in which the products are to be sold, the price calculation formula, payment terms and other obligations.

(SR'000 unless otherwise noted)

Due from related parties as at 31 December are as follows:

	2016	2015
Bassel Asian Pacific Company	**455,873**	511,149
Bassel International for Trading (F.Z.E)	**332,478**	511,103
Sahara and ma'aden Petrochemical Company	**186,134**	146,968
Evonik Industries AG	**86,364**	95,835
Bassel for Sales and Marketing Company	**62,948**	105,737
Evonic and National Industrialization for Marketing Company	**29,767**	15,575
Dow Chemical Pacific affiliates	**15,606**	42,956
Oasis for Chemicals Company	**8,253**	7,250
Other related parties	**3,315**	-
	1,180,738	1,436,573
Trade	**1,180,338**	1,334,305
Non-trade	**400**	102,268
	1,180,738	1,436,573

Due to related parties as at 31 December are as follows:

	2016	2015
Other related parties	**6,966**	160

As of December 31, 2016 and 2015, due from and due to related parties balances mainly relate to the above mentioned transactions as shown in notes 5, 7 and 15, respectively.

21 ZAKAT AND INCOME TAX

Zakat and income tax are provided for and charged to the consolidated statement of income according to management estimates, and differences resulting from the final zakat and income tax calculation re adjusted by end of the year.

Movement in the zakat provision was as follows:

	2016	2015
January 1	**352,891**	230,899
Paid during the year/adjustments	**(17,824)**	(137,645)
Provision during the year	**121,093**	259,637
December 31	**456,160**	352,891

Movement in the income tax provision was as follows:

	2016	2015
January 1	**5,459**	55,140
Paid during the year/adjustments	**(76,657)**	(144,659)
Provision during the year	**121,713**	94,978
December 31	**50,515**	5,459
Total zakat and income tax liability	**506,675**	358,350

(SR'000 unless otherwise noted)

Status of zakat and income tax returns and assessments

During 2015, the Company received approval from the General Authority of Zakat and income ("GAZT") to consolidate zakat returns of the holding companies and wholly-owned subsidiaries by the beginning of 2008. The Company will prepare the Group's consolidated financial statements and the adjusted zakat returns from 2008 and up to 2014. The Company will review the zakat provisions that were previously recognized upon receiving the final zakat assessment for the consolidated financial statements. The non-wholly owned subsidiaries provide their zakat returns individually for each company.

The Company has filed its zakat returns with the General Authority of Zakat and Income Tax ("GAZT") up to 2015, and settled the zakat dues accordingly and obtained restricted certificates. The company has cleared its zakat status with GAZT up to 2007 and has not been received the final zakat assessments yet for the subsequent years from the GAZT.

During 2013, some of the subsidiaries received revised assessments from the GAZT for several years, which showed additional zakat differences amounted to SR 192 million. The subsidiaries submitted an appeal against these assessments, and management believes that no material liability is likely to arise.

22 SHARE CAPITAL

Share capital amounted to SR 6,689,142 thousands as at December 31, 2016 (2015: SR 6,689,142 thousands) consisting of 668,914 thousand shares (2015: 668,914 thousands shares) of SR 10 each.

23 DIVIDENDS

The Company's Extraordinary General Assembly meeting held on Jumada Al-Thani 19, 1436H (corresponding to April 8, 2015G) approved the Board of Directors' recommendation to distribute cash dividends for the year 2014 amounting to SR 1 per share and Board of Directors remuneration amounting to SR 2 million.

24 OTHER RESERVES

As of December 31, 2016, other reserves mainly consist of foreign currencies differences from translation of the overseas subsidiaries financial statements amounting to SR 1,346 million (2015: SR 1,193 million), and a difference in the acquisition of the non-controlling interests amounting to SR 992 million (Note 2) (2015: SR 978 million) .

25 NON-CONTROLLING INTERESTS

	2016	2015
Balance at the beginning of the year	**5,779,946**	7,351,998
Share in net earnings of subsidiaries for the year	**581,720**	(233,433)
New non-controlling interests resulted from new consolidated subsidiary	**144,305**	-
Non-controlling interests acquired	**-**	(771,576)
Dividends	**(1,026,892)**	(538,911)
Other, net	**(16,717)**	(28,132)
Balance at the end of the year	**5,462,362**	5,779,946

26 SELLING AND MARKETING EXPENSES

	2016	2015
Freight and transportation	**544,743**	596,852
Employees' salaries and related benefits	**119,166**	109,079
Doubtful debts allowance	**55,964**	123,394
Distributors' incentives	**36,741**	32,637
Others	**48,892**	86,401
	805,506	948,363

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015

Employees' salaries, related benefits and travel	**515,767**	481,812
Research and development	**253,686**	278,469
Consulting and professional fees	**141,708**	353,715
Depreciation and amortization	**54,844**	62,204
Repairs and maintenance	**17,027**	21,933
Rent	**12,069**	26,863
Others	**65,852**	49,296
	1,060,953	1,274,292

28 IMPAIRMENT OF NON-CURRENT ASSETS

	2016	**2015**
Impairment of property, plant and equipment (note 10)	**9,895**	80,522
Impairment of non-current assets (note 13)	**-**	133,196
Impairment of projects under construction	**-**	100,000
Impairment of goodwill (note 12 a).	**-**	67,242
Impairment of investments in associates and others	**-**	11,029
	9,895	391,989

29 OTHER INCOME/(EXPENSES), NET

	2016	**2015**
Gain from sale of investments available for sale securities	**140,345**	-
Proceeds from murabaha and others	**28,423**	12,354
Dividends received	**23,217**	38,848
Gain/(loss) from sale of property, plant and equipment	**4,859**	(15,183)
Amortization of deferred gains	**1,982**	7,016
Realized gain from sale of investment in associates (note 9)	**-**	31,119
Financial derivatives and forward contracts (note 33)	**-**	(363,943)
Loss from Foreign exchange differences	**(15,112)**	(16,562)
Others	**(6,244)**	25,688
	177,470	(280,663)

30 EARNINGS/(LOSSES) PER SHARE

The earnings/(losses) per share attributable to income from main operations and net income/(loss) for the year are calculated based on total number of shares issued, that is 668,914 thousand shares as at December 31, 2016 (2015: 668,914 thousands shares).

31 SEGMENT INFORMATION

The main activity of the Company (Head Office) is investments while subsidiary companies operate in the industrial and petrochemicals sectors. The main markets of the petrochemicals sector are the Kingdom of Saudi Arabia, Europe, Middle East, and Asia, and for industrial, Head Office and other segments are the Kingdom of Saudi Arabia, North and South of U.S.A., Europe, Australia, Middle East and Asia. Group consists of the following main business segments:

Chemical and Downstream Industries Sector: Includes the production of titanium dioxide production processes and specialized production operation of Rutay which is the raw material for the production of titanium dioxide, the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels.

Petrochemical Sector: Includes basic chemicals and polymers.

Head Office & Other: Includes the operations of the head office, and technical centers, innovations and investment activities, and present of technical industrial services.

The relevant financial data for these sectors are:

(SR'000 unless otherwise noted)

	Chemicals & downstream Industries	**Petrochemicals**	**Head office & other**	**Adjustments**	**Total**
As at and for the year ended December 31, 2016					
Total assets	**21,158,693**	**21,381,050**	**16,462,011**	**(15,665,832)**	**43,335,922**
Total liabilities	**13,523,949**	**11,492,866**	**7,046,872**	**(2,242,773)**	**29,820,914**
Sales	**7,398,046**	**11,811,674**	**358,282**	**(4,371,032)**	**15,196,970**
Gross profit	**664,785**	**2,754,133**	**61,632**	**(8,090)**	**3,472,460**
Income/(Loss) from main operations	**(446,833)**	**2,097,834**	**295,786**	**(290,419)**	**1,656,368**
Depreciation and amortization	**712,710**	**1,151,451**	**41,791**	**-**	**1,905,952**
Capital expenditures	**1,660,256**	**311,467**	**73,647**	**-**	**2,045,370**
As at and for the year ended December 31, 2015					
Total assets	21,275,941	22,507,024	16,518,315	(15,326,232)	44,975,048
Total liabilities	13,150,631	12,325,567	7,180,721	(1,429,982)	31,226,937
Sales	7,344,098	10,905,344	400,583	(3,504,514)	15,145,511
Gross profit	50,331	2,081,919	79,511	986	2,212,747
Income/(Loss) from main operations	(1,505,648)	1,382,633	(1,298,754)	1,048,853	(372,916)
Depreciation and amortization	653,394	1,132,282	42,066	-	1,827,742
Capital expenditures	1,526,331	565,698	35,353	-	2,127,382

32 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments:

	2016	**2015**
Capital commitments for projects under progress and purchase of property, plant and equipment	**688,629**	762,331
Commitments for consulting contracts	**-**	227,000

(b) Operating leases commitments

	2016	**2015**
Payments under operating leases charged to expenses during the year	**103,716**	110,002

Operating leases payments represent rents accrued by the Group for renting land and residential units and sites for factories. The average period of the lease agreed upon, ranges from 1 to 30 years.

Cristal Inorganic Chemicals Ltd. (a subsidiary) leases various lands, property, facilities and equipment under irrevocable operating lease arrangements for varying periods.

The future minimum lease payments relating to all irrevocable operating leases with terms in excess of one year are as follows:

	2016	**2015**
One year	**88,745**	75,575
Two to four years	**129,915**	166,826
More than four years	**8,723**	16,828
Total minimum lease payments	**272,383**	259,229

(c) Cristal Company has various agreements for the purchase of raw materials used in the production of titanium dioxide and certain other agreements for the purchase of raw materials, general utilities and services with various terms extending through the year 2020. As at consolidated balance sheet date, estimated future minimum payments under these irrevocable contracts were as follows:

(SR'000 unless otherwise noted)

	2016	2015
One year	**1,882,170**	1,271,059
Two to four years	**938,299**	1,162,977
More than four years	**47,044**	56,956
Total future minimum payments	**2,867,513**	2,490,992

CONTINGENCES

1- As at December 31, the Group has following outstanding letters of credit and guarantees:

	2016	2015
Letters of credit and guarantee	**2,765,262**	2,128,458

2- The Company has issued corporate guarantees to commercial banks and Saudi Industrial Development Fund by its share owned in share capital of some subsidiary and associate companies against the loans which have been obtained from such parties. As at 31 December 2016, these guarantees amounted to SR 6,105 million (2015: SR 8,408 million).

3- The Group is involved in legal litigation claims in the ordinary course of business, which are being defended; there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as of the date of preparing the consolidated financial statements; the Group's management does not expect that these claims will have a material adverse effect on the Group's consolidated financial statements.

33 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has forward foreign currency contracts and other foreign currency instruments. The fair value amounts of such contracts outstanding as at 31 December 2016 was SR 138 million (2015: SR 962 million). The Company did not apply hedge accounting to these contracts. The difference between the spot rates on the contract date and the forward rate on the forward foreign currency contract outstanding as at 31 December 2016 should have been amortized over the period of the contract as required under generally accepted accounting standard. However, adjustments were not made to the reported amounts as it was not considered material.

The Company has entered into interest rate cap contracts and certain other interest rate derivatives with certain local banks. The fair value amounts of such contracts outstanding as at 31 December 2016 was SR 18.786 million (2015: SR 1,125 million). The Company did not apply hedge accounting to these contracts. The net unrealized gain amounting to SR 1.34 million (2015: unrealized losses of SR 15.2 million) on these derivatives was recorded in the consolidated statement of income during the year.

As at December 31, 2014 and the first quarter of 2015, Cristal (a subsidiary) entered into forward derivative financial instruments contracts to reduce the risk of fluctuations in currency exchange rates with local banks. As at December 31, 2014, the difference between the spot rate and the forward rate of outstanding forward contracts amounted to SR 121 million. During 2015, the Group's management believed that retaining these contracts was non-viable, thus it was agreed with the relevant financial institutions to terminate and settle these contracts. This has resulted in recording net negative fair value of these contracts amounting to SR 387 million, within net other income and expenses (note 28).

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, investments in held for trading securities, accounts receivable, prepayments and other current assets, investments in available for sale securities, short term loans, murabaha, accounts payable, accrued expenses and other current liabilities, long term loans, and derivative financial instruments.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with national banks with sound credit ratings. Trade accounts receivable are shown net of provision for doubtful debts.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets but has interest-bearing liabilities as at December 31, 2016 and 2015. The Group manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with the counterparty to exchange, the difference between fixed and variable rate contracts at specified intervals (mainly quarterly) by reference to the agreed notional principal amounts.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis to ensure that sufficient funds are available to meet any future commitments.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to the risk of fluctuations in foreign exchange rates through its normal course f business. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments.

Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the consolidated financial statements have been prepared under the historical cost convention, differences may arise between the carrying amounts and fair value estimates. Management believes that the fair value of the financial assets and liabilities is not materially different from its carrying value.

35 EVENT AFTER THE REPORTING PERIOD

On February 21, 2017, a subsidiary, Cristal entered into a conditional transaction agreement to sell to Tronox Limited A.C.N. a public limited company registered under the laws of the State of Western Australia and listed on the New York stock exchange ("Tronox"), its domestic and international titanium dioxide (TiO2) business (including but not limited to the sale of (a) all international subsidiaries of Cristal, (b) assets (including the Yanbu plant of Cristal) and liabilities relevant to such business; and (c) contracts, intellectual property and goodwill in respect of such business (the "Cristal Assets")) in return for US$ 1.673 billon (SR 6.274 billion) cash and 37,580,000 of newly issued Class A shares in Tronox (which represents approximately 24% of the shareholding in Tronox at closing).

Closing of the transaction is expected to occur within 15 months from the date of the above-mentioned agreement and, is subject to the satisfaction of certain condition precedents, including, amongst other things, governmental and regulatory approvals in the relevant jurisdictions and the conclusion of Cristal reorganization.

The titanium dioxide (TiO2) business activities of the Company are included in "Chemical and downstream industries sector" business segment. Upon closing of the transaction, Cristal will deconsolidate the Cristal Assets from its consolidated financial statements and account for its interest in Tronox as an investment.

36 APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by management of the Company on March 16, 2017.