BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

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Report on review of interim financial information

To the shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Introduction
We have reviewed the accompanying condensed consolidated interim statement of financial position of Basic Chemical Industries and its subsidiaries (the "Group") as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated statements of changes in equity and cash flows for the six-month period ended 30 June 2017 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as 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, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

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1 August 2017

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BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month periods ended 30 June, 2017	2016	For the six-month periods ended 30 June, 2017	2016
Revenue	7	**149,507,277**	148,340,430	**277,893,093**	296,277,368
Cost of sales	7	**(109,015,545)**	(106,702,457)	**(205,268,741)**	(220,108,929)
Gross profit		**40,491,732**	41,637,973	**72,624,352**	76,168,439
Selling and distribution expenses		**(12,206,285)**	(12,766,187)	**(24,604,003)**	(24,573,747)
General and administrative expenses	7	**(7,385,156)**	(8,127,588)	**(13,686,577)**	(11,147,539)
Other operating income - net		**2,746,013**	1,165,355	**2,372,799**	538,094
Operating profit		**23,646,304**	21,909,553	**36,706,571**	40,985,247
Share in net (loss) / profit of an associate accounted for using the equity method		**(36)**	(16,471)	**53,731**	86,188
Financial income		**232,168**	562,544	**893,209**	841,433
Profit before zakat and income tax		**23,878,436**	22,455,626	**37,653,511**	41,912,868
Zakat and income tax expense		**(3,556,163)**	(3,200,692)	**(7,112,326)**	(6,546,281)
Profit for the period		**20,322,273**	19,254,934	**30,541,185**	35,366,587
Other comprehensive income for the period		**-**	-	**-**	-
Total comprehensive income for the period		**20,322,273**	19,254,934	**30,541,185**	35,366,587
Total comprehensive income for the period is attributable to:					
Shareholders of Basic Chemical Industries Company		**12,520,431**	13,229,881	**18,442,572**	23,983,833
Non-controlling interests		**7,801,842**	6,025,053	**12,098,613**	11,382,754
		20,322,273	19,254,934	**30,541,185**	35,366,587
Earnings per share (Saudi Riyals)					
Basic and diluted	11	**0.46**	0.48	**0.67**	0.87

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Designated member	**Chief Executive Officer**	**Finance Manager**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	As at 1 January 2016 (Audited)
Assets				
Non-current assets				
Property, plant and equipment		**184,871,925**	172,123,978	188,080,852
Investment in an associate		**577,730**	523,999	372,631
Total non-current assets		**185,449,655**	172,647,977	188,453,483
Current assets				
Inventories		**97,999,162**	84,905,499	119,629,182
Trade and other receivables	8	**164,137,306**	145,502,991	169,915,575
Short-term deposits		**40,000,000**	30,000,000	40,000,000
Cash and cash equivalents		**163,545,827**	227,856,353	153,859,221
Total current assets		**465,682,295**	488,264,843	483,403,978
Total assets		**651,131,950**	660,912,820	671,857,461
Equity and liabilities				
Equity				
Share capital		**275,000,000**	275,000,000	275,000,000
Statutory reserve		**48,693,927**	48,693,927	45,357,187
Retained earnings		**141,658,158**	150,715,586	135,365,854
Equity attributable to shareholders of Basic Chemical Industries Company		**465,352,085**	474,409,513	455,723,041
Non-controlling interests		**70,951,918**	78,223,305	99,081,566
Total equity		**536,304,003**	552,632,818	554,804,607
Liabilities				
Non-current liabilities				
Employee benefit obligations	10	**22,774,021**	22,025,963	21,605,664
Current liabilities				
Trade and other payables	9	**85,739,828**	74,856,716	85,042,609
Zakat and income tax payable		**6,314,098**	11,397,323	10,404,581
Total current liabilities		**92,053,926**	86,254,039	95,447,190
Total liabilities		**114,827,947**	108,280,002	117,052,854
Total equity and liabilities		**651,131,950**	660,912,820	671,857,461

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information including notes and other explanatory information was approved and authorised for issue by the Board of Directors on 1 August 2017 and was signed on their behalf by:

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Designated member	**Chief Executive Officer**	**Finance Manager**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

		Attributable to the shareholders of Basic Chemical Industries Company					
	Note	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2016 (Audited)	6	275,000,000	45,357,187	135,365,854	455,723,041	99,081,566	554,804,607
Profit for the period		-	-	23,983,833	23,983,833	11,382,754	35,366,587
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	23,983,833	23,983,833	11,382,754	35,366,587
Dividends	12	-	-	(27,500,000)	(27,500,000)	(27,525,000)	(55,025,000)
At 30 June 2016 (Unaudited)		275,000,000	45,357,187	131,849,687	452,206,874	82,939,320	535,146,194
At 1 January 2017 (Audited)	6	275,000,000	48,693,927	150,715,586	474,409,513	78,223,305	**552,632,818**
Profit for the period		-	-	18,442,572	18,442,572	12,098,613	**30,541,185**
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	18,442,572	18,442,572	12,098,613	**30,541,185**
Dividends	12	-	-	(27,500,000)	(27,500,000)	(19,370,000)	**(46,870,000)**
At 30 June 2017 (Unaudited)		**275,000,000**	**48,693,927**	**141,658,158**	**465,352,085**	**70,951,918**	**536,304,003**

The accompanying notes are an integral part of these condensed consolidated interim financial information.

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Designated member	**Chief Executive Officer**	**Finance Manager**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month periods ended June 30, 2017	2016
Cash flows from operating activities			
Profit before zakat and income tax		**37,653,511**	41,912,868
Adjustments for:			
Depreciation		**14,448,338**	13,365,350
Provision for doubtful debts		**(241,472)**	(2,655,243)
Provision for slow inventory obsolescence		**389,915**	1,380,004
Gain on disposal of property, plant and equipment		**(36,103)**	(176,192)
Share in net profit of an associate accounted for using the equity method		**(53,731)**	(86,188)
Finance income		**(893,209)**	(841,433)
Provision for employee benefit obligations	10	**1,465,242**	1,476,072
Changes in operating assets and liabilities:			
(Increase) decrease in inventories		**(13,483,578)**	18,940,359
(Increase) decrease in trade and other receivables	8	**(18,392,843)**	20,336,565
Increase (decrease) in trade and other payables	9	**10,883,112**	(5,930,861)
Cash generated from operations		**31,739,182**	87,721,301
Finance income received on deposits		**893,209**	841,433
Zakat and income tax paid		**(12,195,551)**	(5,645,532)
Employee benefit obligations paid		**(717,184)**	(1,447,582)
Net cash inflow from operating activities		**19,719,656**	81,469,620
Cash flows from investing activities			
Short-term deposits		**(10,000,000)**	(20,000,000)
Payments for property, plant and equipment		**(27,198,792)**	(6,051,660)
Proceeds from disposal of property, plant and equipment		**38,610**	391,205
Net cash outflow from investing activities		**(37,160,182)**	(25,660,455)
Cash flows from financing activities			
Dividends paid	12	**(27,500,000)**	(27,500,000)
Dividends paid by subsidiaries to non-controlling interests		**(19,370,000)**	(27,525,000)
Net cash outflow from financing activities		**(46,870,000)**	(55,025,000)
Net (decrease) increase in cash and cash equivalents		**(64,310,526)**	784,165
Cash and cash equivalents at beginning of period		**227,856,353**	153,859,221
Cash and cash equivalents at end of period		**163,545,827**	154,643,386

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Designated member	**Chief Executive Officer**	**Finance Manager**

1. General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its Saudi Arabian subsidiaries as indicated below. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals also management and maintenance of projects and factories.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under commercial registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (2 February 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

The Company is in the process of setting-up a project in Jubail for producing chlorine and its derivatives with an estimated production capacity of 70,000 tons. During the six-month period ended 30 June 2017, the Company has entered into an agreement with a European company for procurement of machinery and equipment for chlorine and caustic soda and engineering services. The project is estimated to be completed by 2020 with a total cost of Saudi Riyals 520.0 million.

The accompanying condensed consolidated interim financial information include the accounts of the Company, its branches and its following Saudi Arabian subsidiaries, operating under individual commercial registrations:

	Effective ownership percentage at	
	30 June 2017	**31 December 2016**
Basic Chemicals National Company Limited ("BCNC")	**100%**	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	**100%**	100%
Saudi Water Treatment Company ("SWTC")	**100%**	100%
Huntsman APC ("HAPC")	**49%**	49%
National Adhesives Company Limited ("NAL")	**47%**	47%

HAPC and NAL are consolidated as the Company has the right to exercise control by virtue of its ability to affect the amount of returns generated from such companies, its power over these entities and its exposure and right to the variable returns.

2. Summary of significant accounting policies

The principal accounting policies applied for the preparation of condensed consolidated interim financial information of the Group are set out below.

2.1 Basis of preparation

a) Compliance with International Financial Reporting Standards ("IFRS")

This condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34") and IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Group will prepare its first annual consolidated financial statements for the year ending 31 December 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. The Group prepared its first general purpose condensed consolidated interim financial information for the three-month period ended 31 March 2017 in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia. This condensed consolidated interim financial information for the three-month and six month periods ended 30 June 2017 is prepared in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia for part of the period covered by the first IFRS annual consolidated financial statements.

2.1 Basis of preparation (continued)

Condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRS requires in annual financial statements. However, since the Group's latest annual financial information were prepared using previous GAAP, this condensed consolidated interim financial information includes some additional disclosures to enable the users to understand how the transition to IFRS have affected previously reported amounts.

(b) First time adoption of IFRS

The Group prepared its first general purpose condensed consolidated interim financial information for the three-month period ended 31 March 2017. This condensed consolidated interim financial information for the three-month and six month periods ended 30 June 2017 is prepared in accordance with IAS 34 and IFRS 1 as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For periods up to and including the year ended 31 December 2016, the Group prepared its interim financial statements in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Group has prepared condensed consolidated interim financial information that comply with IAS 34 as at 30 June 2017, together with the comparative condensed consolidated statement of financial position as of 31 December 2016 and 1 January 2016 and condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2016. In preparing the condensed consolidated interim financial information, the Group's opening statement of financial position was prepared as at 1 January 2016 which is the Group's date of transition to IFRS. Explanations of how the transition to IFRS has affected the reported amounts of consolidated statement of financial position, statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group are provided in Note 6. The Group has not availed any voluntary exemptions given in IFRS 1. Mandatory exemptions given in IFRS 1 were not applicable.

c) Historical cost convention

The condensed consolidated interim financial information is prepared under the historical cost convention.

d) Standards issued but not effective

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after January 1, 2018 or later periods, but have not been early adopted by the Group. Management is currently assessing the following standards and amendments, which are likely to have an impact on the Group's condensed consolidated interim financial information:

- IFRS 9, 'Financial instruments' (effective from 1 January 2018),

  IFRS 9 replaces the multiple classification and measurement models in IAS 39 "Financial instruments: Recognition and measurement" with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 introduces a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018);

  IFRS 15 replaces 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.

- IFRS 16, 'Leases' (effective from 1 January 2019).

  IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

There are no other relevant IFRS or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the condensed consolidated interim financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates the ("functional currency"). The condensed consolidated interim financial information are presented in "Saudi Riyals", which is the Group's presentation as well as functional currency of all entities.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in other comprehensive income.

2.4 Basis of consolidation

(a) Subsidiaries

The condensed consolidated interim financial information comprise the financial information of the Company and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The condensed consolidated interim financial information include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except assets under construction which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15 - 20
• Furniture, fixtures and office equipment	3 - 5
• Vehicles	4 - 7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.6 Financial Instruments

2.6.1 Financial assets

(i) Classification

The Group has classified its financial assets as loans and receivables.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

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

2.6.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the condensed consolidated interim financial information, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant difficulties of the issuer of the financial asset, probability that the issuer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the financial assets are impaired. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. The amount of the provision is charged to profit or loss.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Inventories

Raw materials and spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable 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 the sale.

2.10 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited profit or loss against "General and administrative expenses".

2.11 Short term deposits

Short term deposits include placements with banks and other short-term highly liquid investments with original maturitiues of three months or more but not more than one year from the purchase date.

2.12 Cash and cash equivalents

For the purpose of condensed consolidation interim statement of financial position, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the condensed consolidated interim statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the condensed consolidated interim statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Employee benefit obligations

The Group operates single post-employment benefit scheme of defined benefit plans driven by the labor laws and workman laws of the Kingdom of Saudi Arabia.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the condensed consolidated interim statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sale of goods

Revenue is recognized upon delivery of goods. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Performance of services

Revenues from performance of services is recognised in the accounting period in which the services are rendered.

2.17 Financial Income

Finance income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.18 Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.19 Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's condensed consolidated interim financial information in the period in which the dividends are approved by the Group's shareholders.

2.20 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Company and its subsidiaries, is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilites attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed consolidated interim financial information. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Zakat and income tax expense is recognized in each interim period based on the best estimate of the annual zakat and income tax charge expected for the full financial year. Amounts accrued for zakat and income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual charge changes.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.22 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial period.

2.23 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until such reserve equal 30% of its share capital. Such transfer is made based on annual profits at year end. The statutory reserve in the condensed consolidated interim financial information is the statutory reserve of the Company. This reserve is not available for distribution to the shareholders of the Company.

3 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuations issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 30 June 2017 and 31 December 2016, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates and are expected to be realized at their current carrying values within twelve months from the date of condensed consolidated interim statement of financial position.

4 Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The management tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

5 Segment information

The Group's operations are principally in the following business segments:

- Manufacturing and sale of Chemicals
- Manufacturing and sale of Adhesives and other materials

Selected financial information as of 30 June 2017 and 31 December 2016 and for the three-month and six-month periods ended 30 June 2017 and 2016, summarized by the above operating segments, is as follows:

	Chemicals	Adhesives and other materials	Total
For the three-month period ended 30 June 2017			
Revenue	88,074,885	61,432,392	**149,507,277**
Cost of sales	(66,834,068)	(42,181,477)	**(109,015,545)**
Gross profit	21,240,817	19,250,915	**40,491,732**
Selling and distribution expenses	(7,087,480)	(5,118,805)	**(12,206,285)**
General and administrative expenses	(6,409,091)	(976,065)	**(7,385,156)**
Other operating income – net	2,528,032	217,981	**2,746,013**
Operating profit	10,272,278	13,374,026	**23,646,304**
Financial income	232,168	-	**232,168**
Segment results	10,504,446	13,374,026	**23,878,472**

	Chemicals	Adhesives and other materials	Total
For the six-month period ended 30 June 2017			
Revenue	157,818,711	120,074,382	**277,893,093**
Cost of sales	(120,525,232)	(84,743,509)	**(205,268,741)**
Gross profit	37,293,479	35,330,873	**72,624,352**
Selling and distribution expenses	(14,381,419)	(10,222,584)	**(24,604,003)**
General and administrative expenses	(12,498,104)	(1,188,473)	**(13,686,577)**
Other operating income - net	3,061,446	(688,647)	**2,372,799**
Operating profit	13,475,402	23,231,169	**36,706,571**
Financial income	893,209	-	**893,209**
Segment results	14,368,611	23,231,169	**37,599,780**
As at 30 June 2017			
Total assets	484,872,361	166,259,589	**651,131,950**
Total liabilities	78,080,779	36,747,168	**114,827,947**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Chemicals	Adhesives and other materials	Total
For the three-month period ended 30 June 2016			
Revenue	86,068,688	62,271,742	148,340,430
Cost of sales	(63,669,523)	(43,032,934)	(106,702,457)
Gross profit	22,399,165	19,238,808	41,637,973
Selling and distribution expenses	(7,840,612)	(4,925,575)	(12,766,187)
General and administrative expenses	(7,319,575)	(808,013)	(8,127,588)
Other operating income (expenses) - net	1,932,395	(767,040)	1,165,355
Operating profit	9,171,373	12,738,180	21,909,553
Financial income	562,544	-	562,544
Segment results	9,733,917	12,738,180	22,472,097

	Chemicals	Adhesives and other materials	Total
For the six-month period ended 30 June 2016			
Revenue	178,447,456	117,829,912	296,277,368
Cost of sales	(136,127,892)	(83,981,037)	(220,108,929)
Gross profit	42,319,564	33,848,875	76,168,439
Selling and distribution expenses	(14,970,852)	(9,602,895)	(24,573,747)
General and administrative (expenses) reversals - net	(11,622,078)	474,539	(11,147,539)
Other operating income (expenses) - net	2,147,453	(1,609,359)	538,094
Operating profit	17,874,087	23,111,160	40,985,247
Financial income	841,433	-	841,433
Segment results	18,715,520	23,111,160	41,826,680
As at 31 December 2016			
Total assets	489,111,030	171,801,790	660,912,820
Total liabilities	71,907,204	36,372,798	108,280,002

Reconciliation of segment results with profit before zakat and income tax

	For the three-month period ended 30 June		For the six -month period ended 30 June	
	2017	**2016**	**2017**	**2016**
Total segment results	**23,878,472**	22,472,097	**37,599,780**	41,826,680
Share in net (loss) / profit of an associate accounted for using the equity method	**(36)**	(16,471)	**53,731**	86,188
Profit before zakat and income tax	**23,878,436**	22,455,626	**37,653,511**	41,912,868

6 Impact of transition to IFRS

6.1 Impact of IFRS transition on the consolidated statement of financial position as at 1 January 2016 (date of transition)

	Note	Balances as per previous GAAP as at 1 January 2016 (Audited)	Impact of transition to IFRS	Balances as per IFRS as at 1 January 2016 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	6.8.1	202,165,346	(14,084,494)	188,080,852
Investment in an associate		372,631	-	372,631
Total non-current assets		202,537,977	(14,084,494)	188,453,483
Current assets				
Inventories		119,629,182	-	119,629,182
Trade and other receivables		169,915,575	-	169,915,575
Short-term deposits		40,000,000	-	40,000,000
Cash and cash equivalents		153,859,221	-	153,859,221
Total current assets		483,403,978	-	483,403,978
Total assets		685,941,955	(14,084,494)	671,857,461
Equity and liabilities				
Equity				
Share capital		275,000,000	-	275,000,000
Statutory reserve		45,357,187	-	45,357,187
Retained earnings		147,928,916	(12,563,062)	135,365,854
Equity attributable to shareholders of Basic Chemical Industries Company		468,286,103	(12,563,062)	455,723,041
Non-controlling interests		99,081,566	-	99,081,566
Total equity		567,367,669	(12,563,062)	554,804,607
Liabilities				
Non-current liabilities				
Employee benefit obligations	6.8.2	23,127,096	(1,521,432)	21,605,664
Current liabilities				
Trade and other payables		85,042,609	-	85,042,609
Zakat and income tax payable		10,404,581	-	10,404,581
Total current liabilities		95,447,190	-	95,447,190
Total liabilities		118,574,286	(1,521,432)	117,052,854
Total equity and liabilities		685,941,955	(14,084,494)	671,857,461

6.2 Impact of IFRS transition on the condensed consolidated interim statement of financial position as at 30 June 2016

	Note	Balances as per previous GAAP as at 30 June 2016	Impact of transition to IFRS	Balances as per IFRS as at 30 June 2016
Assets				
Non-current assets				
Property, plant and equipment	6.8.1	193,287,809	(12,735,659)	180,552,150
Investment in an associate		458,819	-	458,819
Total non-current assets		193,746,628	(12,735,659)	181,010,969
Current assets				
Inventories		99,308,819	-	99,308,819
Trade and other receivables		152,234,253	-	152,234,253
Short-term deposits		60,000,000	-	60,000,000
Cash and cash equivalents		154,643,386	-	154,643,386
Total current assets		466,186,458	-	466,186,458
Total assets		659,933,086	(12,735,659)	647,197,427
Equity and liabilities				
Equity				
Share capital		275,000,000	-	275,000,000
Statutory reserve		46,516,851	-	46,516,851
Retained earnings		140,980,583	(10,290,560)	130,690,023
Equity attributable to shareholders of the Basic Chemical Industries Company		462,497,434	(10,290,560)	452,206,874
Non-controlling interests		82,939,320	-	82,939,320
Total equity		545,436,754	(10,290,560)	535,146,194
Liabilities				
Non-current liabilities				
Employee benefit obligations	6.8.2	24,079,254	(2,445,099)	21,634,155
Current liabilities				
Trade and other payables		79,111,748	-	79,111,748
Zakat and income tax payable		11,305,330	-	11,305,330
Total current liabilities		90,417,078	-	90,417,078
Total liabilities		114,496,332	(2,445,099)	112,051,233
Total equity and liabilities		659,933,086	(12,735,659)	647,197,427

6.3 Impact of IFRS transition on the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 30 June 2016

	Notes	Amounts as per previous GAAP for the three-month period ended 30 June 2016	Impact of transition to IFRS	Amounts as per IFRS for the three-month period ended 30 June 2016
Revenue		148,340,430	-	148,340,430
Cost of sales	6.8.1 6.8.2	(108,335,695)	1,633,238	(106,702,457)
Gross profit		40,004,735	1,633,238	41,637,973
Selling and distribution expenses		(12,766,187)	-	(12,766,187)
General and administrative expenses		(8,127,588)	-	(8,127,588)
Other operating income - net		1,165,355	-	1,165,355
Operating profit		20,276,315	1,633,238	21,909,553
Share in net profit of an associate accounted for using the equity method		(16,471)	-	(16,471)
Financial income		562,544	-	562,544
Profit before zakat and income tax		20,822,388	1,633,238	22,455,626
Zakat and income tax expense	6.8.3	(1,645,199)	(1,555,493)	(3,200,692)
Profit for the period		19,177,189	77,745	19,254,934
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		19,177,189	77,745	19,254,934
Total comprehensive income for the period is attributable to:				
Shareholders of Basic Chemical Industries Company		11,596,643	1,633,238	13,229,881
Non-controlling interest		7,580,546	(1,555,493)	6,025,053
		19,177,189	77,745	19,254,934

6.4 Impact of IFRS transition on the condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2016

	Notes	Amounts as per previous GAAP for the six-month period ended 30 June 2016	Impact of transition to IFRS	Amounts as per IFRS for the six-month period ended 30 June 2016
Revenue		296,277,368	-	296,277,368
Cost of sales	6.8.1 6.8.2	(222,381,431)	2,272,502	(220,108,929)
Gross profit		73,895,937	2,272,502	76,168,439
Selling and distribution expenses		(24,573,747)	-	(24,573,747)
General and administrative expenses		(11,147,539)	-	(11,147,539)
Other operating income - net		538,094	-	538,094
Operating profit		38,712,745	2,272,502	40,985,247
Share in net profit of an associate accounted for using the equity method		86,188	-	86,188
Financial income		841,433	-	841,433
Profit before zakat and income tax		39,640,366	2,272,502	41,912,868
Zakat and income tax expense	6.8.3	(3,935,049)	(2,611,232)	(6,546,281)
Profit for the period		35,705,317	(338,730)	35,366,587
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		35,705,317	(338,730)	35,366,587
Total comprehensive income for the period is attributable to:				
Shareholders of Basic Chemical Industries Company		21,711,331	2,272,502	23,983,833
Non-controlling interest		13,993,986	(2,611,232)	11,382,754
		35,705,317	(338,730)	35,366,587

6.5 Impact of IFRS transition on the consolidated statement of financial position as at 31 December 2016

	Note	Balances as per previous GAAP as at 31 December 2016 (Audited)	Impact of transition to IFRS	Balances as per IFRS as at 31 December 2016 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	6.8.1	184,420,397	(12,296,419)	172,123,978
Investment in an associate		523,999	-	523,999
Total non-current assets		184,944,396	(12,296,419)	172,647,977
Current assets				
Inventories		84,905,499	-	84,905,499
Trade and other receivables		145,502,991	-	145,502,991
Short-term deposits		30,000,000	-	30,000,000
Cash and cash equivalents		227,856,353	-	227,856,353
Total current assets		488,264,843	-	488,264,843
Total assets		673,209,239	(12,296,419)	660,912,820
Equity and liabilities				
Equity				
Share capital		275,000,000	-	275,000,000
Statutory reserve		48,693,927	-	48,693,927
Retained earnings		160,574,266	(9,858,680)	150,715,586
Equity attributable to shareholders of the Company		484,268,193	(9,858,680)	474,409,513
Non-controlling interests		78,223,305	-	78,223,305
Total equity		562,491,498	(9,858,680)	552,632,818
Liabilities				
Non-current liabilities				
Employee benefit obligations	6.8.2	24,463,702	(2,437,739)	22,025,963
Current liabilities				
Trade and other payables		74,856,716	-	74,856,716
Zakat and income tax payable		11,397,323	-	11,397,323
Total current liabilities		86,254,039	-	86,254,039
Total liabilities		110,717,741	(2,437,739)	108,280,002
Total equity and liabilities		673,209,239	(12,296,419)	660,912,820

6.6 Impact of IFRS transition on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Note	Amounts as per previous GAAP for the year ended 31 December 2016	Impact of transition to IFRS	Amounts as per IFRS for the year ended 31 December 2016
Revenue		557,826,076	-	557,826,076
Cost of sales	6.8.1 6.8.2	(412,719,587)	2,704,382	(410,015,205)
Gross profit		145,106,489	2,704,382	147,810,871
Selling and distribution expenses		(47,551,891)	-	(47,551,891)
General and administrative expenses		(24,977,966)	-	(24,977,966)
Other operating income- net		5,048,004	-	5,048,004
Operating profit		77,624,636	2,704,382	80,329,018
Share in net profit of an associate accounted for using the equity method		151,368	-	151,368
Financial income		2,497,479	-	2,497,479
Profit before zakat and income tax		80,273,483	2,704,382	82,977,865
Zakat and income tax expense	6.8.3	(8,847,997)	(5,376,657)	(14,224,654)
Profit for the year		71,425,486	(2,672,275)	68,753,211
Other comprehensive income		-	-	-
Total comprehensive income for the year		71,425,486	(2,672,275)	68,753,211
Total comprehensive income for the year is attributable to:				
Shareholders of Basic Chemical Industries Company		43,482,090	2,704,382	46,186,472
Non-controlling interest		27,943,396	(5,376,657)	22,566,739
		71,425,486	(2,672,275)	68,753,211

6.7 Impact of IFRS transition on the condensed consolidated interim statement of cash flows for the three-month and six-month periods ended 30 June 2016

The transition from previous GAAP to IFRS has not had a material impact on the condensed consolidated interim statement of cash flows.

6.8 Explanations of IFRS adjustments

6.8.1 Property, plant and equipment

6.8.1.1 Component depreciation

Disaggregation or componentisation is the separation of an asset into its significant components. Each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item is depreciated separately. If an item of property, plant and equipment comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life. This resulted in recognition of accelerated depreciation of Saudi Riyals 7.4 million for components having a shorter useful life than the asset to which they belong.

As at 1 January 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 7.4 million.

As at 30 June 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 6.8 million.

As at 31 December 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 6.2 million.

6.8.1.2 Impairment indicators assessment and impairment testing

In accordance with the previous GAAP, the Group was required to calculate the value in use of a non-current asset using discounted cash flows only if the value of undiscounted cash flows were less than the asset's carrying amount. Since the value of certain items of property, plant and equipment using undiscounted cash flows exceeded their carrying amounts, cash flows were not discounted and accordingly, no impairment loss was recorded. On transition to IFRS, the Group remeasured the value in use of such assets using discounted cash flows (as required by IAS 36 - "Impairment of Assets") resulting in an impairment loss. The key assumptions used by the Group's management for the impairment calculation were as follows:

- Projected cash flows for the period of five years using approved budgets and forecasts;
- The forecasted figures reflect the ongoing and future contracts signed by the Group;
- The growth rate considered to project the cash flows beyond the period covered by management approved budgets and forecasts; and
- The discount rate used was approximately 13% based on the weighted average cost of capital in the cash flow projections.

As at 1 January 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 6.7 million.

As at 30 June 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 5.9 million.

As at 31 December 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings by Saudi Riyals 6.1 million.

6.8.2 Employee benefit obligations

In accordance with the previous GAAP, the Group recognized costs related to its employee benefit obligations as current value of vested benefits to which the employee is entitled. However, as at the date of transition to IFRS, the Group has re-measured the defined benefit liability in accordance with the projected unit credit method, as required by IAS -19 "Employee benefits".

As at 1 January 2016, the above mentioned adjustment has resulted in decrease of employee benefit obligations (liability) by Saudi Riyals 1.5 million and corresponding increase in retained earnings.

As at 30 June 2016, the above mentioned adjustment has resulted in a decrease of employee benefit obligations (liability) by Saudi Riyals 2.4 million and corresponding increase in retained earnings.

As at 31 December 2016, the above mentioned adjustment has resulted in a decrease of employee benefit obligations (liability) by Saudi Riyals 2.4 million and corresponding increase in retained earnings.

6.8.3 Income tax attributable to non-controlling interests

Before the transition date, income tax attributable to non-controlling interests were charged to the consolidated statement of changes in equity in conformity with the previous GAAP. However, as at the date of transition to IFRS, the Group has charged such income tax in the condensed consolidated interim statement of profit or loss and other comprehensive income, as required by IAS -1 "Presentation of financial statements".

For the six-month period ended 30 June 2016, the above mentioned adjustment has resulted in decrease in total comprehensive income for the period by Saudi Riyals 2.6 million.

For the year ended 31 December 2016, the above mentioned adjustment has resulted in decrease in total comprehensive income for the year by Saudi Riyals 5.4 million.

7 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain Directors or senior management have an interest ("Other related parties").

(a) Following are the significant transactions with the associated entities entered into by the Group during the six-month period ended 30 June 2017:

Nature of transactions	Relationship	For the three-month periods ended 30 June		For the six -month periods ended 30 June	
		2017	2016	2017	2016
Sales to related parties	Associated companies	**10,183,066**	7,339,423	**21,375,943**	15,657,563
Purchases from other related parties	Associated companies	**18,173,899**	10,813,115	**30,283,397**	22,035,147
Royalty charged by a related party	Associated companies	**1,723,911**	1,915,787	**3,296,352**	3,553,368
Expenses charged by a related party	Other related parties	**552,588**	931,290	**1,781,001**	1,981,120

(b) Key management personnel compensation:

	For the three-month periods ended 30 June		For the six -month periods ended 30 June	
	2017	2016	2017	2016
Salaries and other short-term employee benefits	**1,019,693**	1,019,693	**2,039,386**	2,039,386
Employee benefit obligations	**124,423**	124,423	**248,846**	248,846
	1,144,116	1,144,116	**2,288,232**	2,288,232

The related party status of outstanding balances as at 30 June 2017 and 2016 is included in trade and other receivable and trade and other payable balances respectively. These outstanding balances are unsecured and are settled in the ordinary course of business and bear no financial charges.

8 Trade and other receivables

	Note	30 June 2017	31 December 2016
Trade receivables		**151,917,408**	138,248,936
Less: provision for doubtful debts		**(12,140,108)**	(15,075,990)
		139,777,300	123,172,946
Related parties	7	**10,552,153**	9,236,670
Advances to suppliers		**8,169,652**	5,642,527
Prepaid expenses		**3,337,707**	4,617,709
Other receivables		**2,300,494**	2,833,139
		164,137,306	145,502,991

9 Trade and other payables

	Note	30 June 2017	31 December 2016
Trade payables		**48,718,594**	28,668,214
Related parties	7	**6,592,184**	9,366,334
Accrued expenses		**24,071,762**	31,798,662
Advances from customers		**2,883,933**	1,850,614
Other payables		**3,473,355**	3,172,892
		85,739,828	74,856,716

10 Employee benefit obligations

10.1 General description of the plan

The Group operates an approved unfunded employee benefits plan for its employees as required by Saudi Arabian Labor Law.

	30 June 2017	31 December 2016
Balance at beginning of period / year	**22,025,693**	21,605,664
Current service cost	**1,033,557**	2,075,629
Interest cost	**412,742**	753,320
Payments	**(697,971)**	(2,408,650)
Balance at end of period / year	**22,774,021**	22,025,963

10.2 Key actuarial assumptions

	30 June 2017	31 December 2016
Discount rate	**3.5%**	3.5%
Salary growth rate	**4.0%**	4.0%
Retirement age	**60 years**	60 years

11 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. As the Group does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three-month periods ended 30 June		For the six -month periods ended 30 June	
	2017	**2016**	**2017**	**2016**
Profit attributable to the shareholders of Basic Chemical Industries Company	**12,520,431**	13,229,881	**18,442,572**	**23,983,833**
Weighted average number of ordinary shares for basic and diluted earnings per share	**27,500,000**	27,500,000	**27,500,000**	**27,500,000**
Basic and diluted earnings per share	**0.46**	0.48	**0.67**	0.87

12 Dividends

The shareholders of the Company in their general assembly meeting held on May 10, 2017 approved dividends of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 27.5 million during the six-month period ended June 30, 2017 (30 June 2016: Saudi Riyals 27.5 million) which were fully paid during the period.

13 Contingencies and commitments

(i) The Group was contingently liable at 30 June 2017 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 13.4 million (31 December 2016: Saudi Riyals 16.8 million).

(ii) The capital expenditure contracted by the Group but not yet incurred till 30 June 2017 was approximately Saudi Riyals 202.6 million (31 December 2016: Saudi Riyals 19.5 million). Also see Note 1.

(iii) The Group has received additional zakat assessments from the GAZT in 2012 amounting to Saudi Riyals 10.4 million for the years 2003 through 2010. The Group has filed appeals against such additional assessments, which are at various appellate levels and the management believes that no material liability will arise upon the ultimate resolution of these appeals and accordingly, no provision for such additional assessments have been recorded in the accompanying condensed consolidated interim financial information.