

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT ON REVIEW OF CONDENSED
INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE MONTHS AND SIX
MONTHS PERIODS ENDED JUNE 30, 2017**

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017

INDEX	PAGE
Independent auditors' report on review of condensed interim consolidated financial statements	1
Interim consolidated statement of financial position	2
Interim consolidated statement of profit or loss other and other comprehensive income	3
Interim consolidated statement of changes in equity	4
Interim consolidated statement of cash flows	5
Notes to the condensed interim consolidated financial statements	6 - 23

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

To the shareholders
Nama Chemicals Company
Jubail Industrial City - Kingdom of Saudi Arabia.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Nama Chemicals Company ("the Company") (a Saudi joint stock company) and its subsidiaries (collectively referred to as 'the Group) which comprises of interim consolidated statement of financial position as at June 30, 2017, related interim consolidated statement of profit or loss and other comprehensive income for the three months and six months periods then ended and statement of changes in equity and statement of cash flows for the six months then ended and summary of significant accounting policies and selected notes from (1) to (12).

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

Scope of review

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


Conclusion

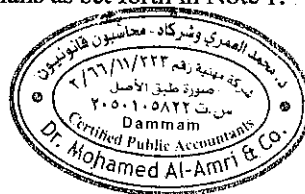
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the three months and six months periods ended June 30, 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1 in the condensed interim consolidated financial statements which indicates that the Group incurred a net loss during the three months and six months ended June 30, 2017 amounted to SR 2.7 million and 6.6 million respectively and, as of that date, the Group's current liabilities exceeded its current assets by SR 710.9 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, the continuity of the Group as a going concern is dependent on the completion of the Group's plans as set forth in Note 1.

For Dr. Mohamed Al-Amri & Co.


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



July 25, 2017-G
Dhul Qa'dah 2, 1438-H

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT JUNE 30, 2017

Expressed in Saudi Riyal '000

	Note	June 30, 2017	December 31, 2016	January 01, 2016
ASSETS				
Non- current assets				
Property, plant and equipment	5	819,242	846,271	1,570,140
Investment property		79,067	80,173	82,385
Cost of projects under development		207,895	200,902	163,456
Investments		184,685	185,650	144,523
Other assets		5,604	5,604	8,185
		<u>1,296,493</u>	<u>1,318,600</u>	<u>1,968,689</u>
Current assets				
Inventories		66,710	52,026	74,262
Trade receivables		130,438	92,547	93,214
Advances, prepayments and other receivables		17,782	18,730	19,862
Investments		81,250	81,250	81,250
Cash and cash equivalents		9,221	47,558	119,225
		<u>305,401</u>	<u>292,111</u>	<u>387,813</u>
TOTAL ASSETS		<u>1,601,894</u>	<u>1,610,711</u>	<u>2,356,502</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	1	235,200	1,285,200	1,285,200
Available - for- sale reserve		91,916	88,455	45,084
Foreign currency translation reserve		(640)	(696)	(664)
Accumulated losses		(51,429)	(1,094,824)	(284,144)
		<u>275,047</u>	<u>278,135</u>	<u>1,045,476</u>
Non-current liabilities				
Long term loans	6	266,200	421,500	777,600
Employees' benefit obligations		44,355	42,428	35,860
		<u>310,555</u>	<u>463,928</u>	<u>813,460</u>
Current liabilities				
Trade and other payables		91,146	65,963	63,488
Short term loans	6	95,681	94,072	72,059
Long term loans - current portion	6	724,841	606,555	283,579
Derivatives		-	-	849
Accrued and other liabilities		104,624	102,058	77,591
		<u>1,016,292</u>	<u>868,648</u>	<u>497,566</u>
Total liabilities		<u>1,326,847</u>	<u>1,332,576</u>	<u>1,311,026</u>
TOTAL EQUITY AND LIABILITIES		<u>1,601,894</u>	<u>1,610,711</u>	<u>2,356,502</u>

The accompanying notes from 1 to 12 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017**
Expressed in Saudi Riyal '000

	Period from April 1 to June 30		Period from January 1 to June 30	
	2017	2016	2017	2016
Revenue	160,042	122,209	290,188	235,105
Cost of sales	(136,558)	(128,816)	(249,803)	(243,548)
Gross profit/(loss)	23,484	(6,607)	40,385	(8,443)
Selling and distribution expenses	(11,141)	(11,897)	(19,539)	(22,270)
Administrative expenses	(7,092)	(7,300)	(13,221)	(13,973)
Operating profit/(loss)	5,251	(25,804)	7,625	(44,686)
Finance cost	(8,542)	(7,470)	(17,262)	(14,919)
Investment income, net	773	2,466	4,109	2,893
Other income, net	1,092	695	1,588	5,991
Loss before zakat	(1,426)	(30,113)	(3,940)	(50,721)
Zakat	(1,332)	(1,332)	(2,665)	(2,665)
Loss for the period	(2,758)	(31,445)	(6,605)	(53,386)
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Change in fair value of available for sale investments	(2,955)	5,853	3,461	19,051
Exchange differences on translation of foreign operations	37	10	56	16
Total other comprehensive (loss) /income	(2,918)	5,863	3,517	19,067
Total comprehensive loss for the period	(5,676)	(25,582)	(3,088)	(34,319)
Loss per share				
- Basic	(0.04)	(0.24)	(0.07)	(0.42)
- Diluted	(0.04)	(0.24)	(0.07)	(0.42)

The accompanying notes from 1 to 12 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UNAUDITED)
Expressed in Saudi Riyal '000

	Share Capital	Available for sale reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at January 01, 2016	1,285,200	45,084	(664)	(284,144)	1,045,476
Loss for the period	-	-	-	(53,386)	(53,386)
Other comprehensive income	-	19,051	16	-	19,067
Total comprehensive loss for the period	-	19,051	16	(53,386)	(34,319)
Balance at June 30, 2016	1,285,200	64,135	(648)	(337,530)	1,011,157
Balance at January 01, 2017	1,285,200	88,455	(696)	(1,094,824)	278,135
Loss for the period	-	-	-	(6,605)	(6,605)
Other comprehensive income	-	3,461	56	-	3,517
Total comprehensive income for the period	-	3,461	56	(6,605)	(3,088)
Reduction of capital (note 1)	(1,050,000)	-	-	1,050,000	-
Balance at June 30, 2017	235,200	91,916	(640)	(51,429)	275,047

The accompanying notes from 1 to 12 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2017 (UNAUDITED)
Expressed in Saudi Riyal '000

	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before zakat	(3,940)	(50,721)
<i>Adjustments for non –cash items to reconcile loss before zakat to net cash flows</i>		
Depreciation	30,558	49,135
Finance cost	17,262	15,491
Provision for employees' benefits obligations	3,040	5,329
	46,920	19,234
<i>Working capital adjustments</i>		
Inventories	(14,684)	15,851
Trade receivables	(37,891)	(12,378)
Advances, prepayments and other receivables	948	(2,790)
Trade and other payable	25,183	(1,853)
Accrued and other liabilities	2,566	18,326
Cash generated from operations	23,042	36,390
Finance cost paid	(16,567)	(14,751)
Employees' benefits paid	(1,114)	(688)
Net cash generated from operating activities	5,361	20,951
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,127)	(9,429)
Additions to cost of projects under development	(6,993)	(23,962)
Change in investments	771	(2,061)
Proceeds from disposal of property, plant and equipment	-	24
Net cash used in investing activities	(8,349)	(35,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in short term loans	1,609	20,846
Repayment of long term loans	(37,014)	(21,424)
Net cash used in financing activities	(35,405)	(578)
Net change in cash and cash equivalents	(38,393)	(15,055)
Exchange differences on translation of foreign operations	56	16
Cash and cash equivalents at January 1,	47,558	119,225
Cash and cash equivalents at June 30,	9,221	104,186

The accompanying notes from 1 to 12 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

1. ORGANIZATION AND ACTIVITIES

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the Commercial Registration Number 2055007420. The registered office of the Company is situated in Al- Jubail, Kingdom of Saudi Arabia.

The subsidiaries of NAMA are as follows:

Al-Jubail Chemical Industries Company ("JANA"), a limited liability Company, is owned 95% by NAMA and 5% by NAMA Industrial Investment Company, a subsidiary of NAMA.

Arabian Alkali Company ("SODA"), a limited liability Company, is owned 90% by NAMA and remaining 10% by JANA.

NAMA Industrial Investment Company, a limited liability Company, is owned 95% by NAMA and 5% by SODA.

NAMA Europa GMBH, a limited liability Company incorporated in Switzerland, is owned 99% by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide - CH-036.4.041.685-8.

NAMA Germany GMBH, a limited liability Company incorporated in Germany, is fully owned by NAMA Europa GMBH.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields. The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration.

The Board of Directors of NAMA decided in the Extraordinary Assembly Meeting held on December 27, 2016, to reduce the Company's share capital from SR 1,285,200,000 to SR 235,200,000 at a reduction rate of 81.7% for the purpose of reconstruction of the share capital of the Company. As a result, total number of shares of the Company reduced from 128,520,000 to 23,520,000 by way of cancellation. The effective date for said capital reduction is May 11, 2017.

Due to weak financial fundamentals of one of the subsidiaries, JANA, the Group has incurred a net loss during the three months and six months ended June 30, 2017 amounted to SR 2.7 million and 6.6 million (Three months ended June 30, 2016: SR 31.4 million and six months ended June 30, 2016: 53.4 million respectively) respectively. As at June 30, 2017, the accumulated losses has reached to SR 51.4 million (December 31, 2016: SR 1,094.8 million) and the Group's current liabilities exceeded its current assets by SR 710.9 million (December 31, 2016: SR 576.5 million). Further, as mentioned in note 6, the Group has not complied with the covenant requirements of its loan agreements to maintain certain financial ratios. However, in 2016, the shareholders of JANA has unanimously resolved the continuation of the Company as a going concern, together with providing it financial support to cover these losses as required by the Article 181 of the Regulation for Companies. Therefore, these condensed interim consolidated financial statements have been prepared on going concern basis.

Further, in order to improve the profitability and financial position, the Group has entered into a long term agreement with Huntsman Europe to supply its products for an initial period of 5 years which can be renewed for further periods. Huntsman is a global leader in Epoxy resin market and the Group is confident to significantly benefit from this association especially in Europe and America resulting in substantial increase in revenues in the future.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

The Group has recorded a gross profit and operating profit during the three months period ended June 30, 2017 as opposed to gross loss and operating loss recorded in the comparable period. The management expects the same trend to be continued for the remaining period and thereby is confident to end up with the gross profits and operating profits in the year 2017. The Group also has embarked on a cost reduction plan and has initiated various cost cutting initiatives to improve its operational efficiency. Better utilization of available resources, improvements in logistics and procurement functions, financial restructuring etc. all are expected to provide the Group with substantial improvements in its cost structure. These measures are expected to improve the Groups competitiveness in the local as well as global market.

In addition, the Group has decided to produce special grade products as well as import substitution products to the Kingdom of Saudi Arabia. These plans are expected to substantially improve the margins of the group. Many of the products are used by the existing customers and hence marketing the products will be easy and hassle-free. To raise the necessary funds for this project, the Group has decided to increase its share capital through a rights issue.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These are the Group's second condensed interim consolidated financial statements prepared under International Financial Reporting Standards (IFRS) and therefore certain provisions of IFRS 1 have also been applied. These condensed interim consolidated financial statements do not include all of information required for full set of annual financial statements prepared under IFRS.

The impacts of transition to IFRS on the reported financial position and financial performance of the Group for the comparative periods presented are provided in note 11. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previously issued accounting standards by SOCPA in the Kingdom of Saudi Arabia to the amounts reported for those periods and at the date of transition to IFRS (i.e. January 01, 2016).

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on historical cost basis except for employees benefit obligations and available for sale investments which are measured at present value of future obligation using the projected unit credit method and at fair value, respectively.

(c) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Saudi Riyals, which is the Group's functional and presentation currency.

(d) Use of judgments and estimates

In preparing these condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policy and the reported amounts of assets, liabilities, income, expenses, the accompanying disclosures and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

Judgements

The Group has made judgements in applying accounting policies that have the most significant effects on the amounts recognized in the condensed interim consolidated financial statements in the following areas:

- determination of depreciation method for property, plant and equipment;
- determination of reportable operating segments;
- management judgements in allocating common expenses for each function.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended June 30, 2017 are included in the following notes:

- provision for doubtful debts;
- net realizable value of inventory;
- useful life of property plant and equipment;
- recognition and measurement of provisions and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources;
- measurement of defined benefit obligations: key actuarial assumptions;
- impairment test: key assumptions underlying recoverable amounts;
- Provision for zakat.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing these condensed interim consolidated financial statements:

(i). Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes all expenditure directly attributable to the construction or purchase of the item of property, plant and equipment. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates these accordingly. All repair and maintenance costs are recognized in the interim consolidated profit or loss as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized. Projects under construction are stated at cost and not depreciated and are transferred to property, plant and equipment as and when assets are available for intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Lease hold improvements are depreciated at the lower of its useful life or lease term.

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim consolidated profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, machinery and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings and leasehold improvements	20 - 40 years
Plant and machinery	5 - 30 years
Motor vehicles	4 years
Furniture, fixtures and office equipment	5- 10 years

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

(ii). Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group measures its investment property using cost model i.e cost less accumulated depreciation and impairment, if any.

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the interim consolidated profit or loss in the period of de-recognition.

(iii). Financial instruments

The Group classifies non-derivative financial assets into the four categories i.e. financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the two categories i.e. financial liabilities at fair value through profit or loss and other financial liabilities category.

a) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the interim consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

b) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in interim consolidated profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in interim consolidated profit or loss.

Held-to maturity financial assets These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Loans and receivables These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in interim consolidated other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in interim consolidated statement of changes in equity is reclassified to interim consolidated profit or loss.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

c) Non-derivative financial liabilities – measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in interim consolidated statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in interim consolidated profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

d) Impairment

- Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

**Financial assets
measured at
amortized cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in interim consolidated profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through interim consolidated profit or loss.

**Available-for-sale
financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to the interim consolidated profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in interim consolidated profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through interim consolidated profit or loss.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in interim consolidated profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iv). Inventories

Inventories are stated at lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Cost is determined using the weighted average method. Cost of Inventories includes all cost of purchase, costs of conversion and other costs incurred to bring the inventory to their present location and condition.

When inventories are sold, the carrying amount of those inventories shall be recognized as expense in the period in which the related revenue is recognized. The amount of any write down of inventories to net realizable value and all losses of inventories are recognized as expense in the period the write down or loss occurs. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

(v). Cash and cash equivalents

Cash and cash equivalents include cash on hand and with banks and other short-term liquid investments with maturities of three months or less from the purchase date. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

(vi). Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The contingencies are disclosed in the Group's condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

(vii). Employees' end of service obligations

Employees' end of service benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable to the Group, on termination or retirement of their employment contracts. The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in interim consolidated other comprehensive income. The Group determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the interim consolidated profit or loss.

(viii). Statutory reserve

As required by the Article of Association of the Company, 10% of the Group's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution.

(ix). Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For local sales, the transfer usually occurs when the product is delivered to the customer's warehouse; however, for some international shipments, the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return.

Other revenue is recognised on accrual basis when the recovery of consideration is probable.

Rental income

Rental income arising from investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the interim consolidated profit or loss due to its operating nature.

(x). Operating leases

Payments made under operating leases (rentals) are recognized in interim consolidated profit or loss on a straight-line basis over the term of the lease.

(xi). Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

(xii). Expenses

Expenses are classified according to their function as part of cost of sales or cost of selling and distribution or administrative expenses. Selling and distribution expenses principally comprise the cost incurred in the distribution and sale of the Group's products. All other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs not directly part costs of sales as required under IFRS. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

(xiii). Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in interim consolidated profit or loss.

(xiv). Zakat

The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and is charged to the interim consolidated profit or loss. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

(xv). Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues 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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group's management has decided not to choose the early adoption of the following new standards and interpretations issued which will become effective for the period commencing after January 1, 2018:

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after January 1, 2018;
- IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replace the existing guidance in IAS 39 Financial Instruments: Recognition and measurements and is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted;
- IFRS 16 Leases, effective for annual period on or after January 1, 2019.

5. PROPERTY, PLANT AND EQUIPMENT

	For the three months ended June 30,2017	For the six months ended June 30,2017	For the year ended June 30,2016
Additions			
Plant and machinery	643	2,072	9,029
Motor vehicles	-	-	501
Furniture and fixtures and office equipment	25	55	409
Capital work-in-progress	-	-	16,643
	668	2,127	26,582

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

6. LOANS

Short term loans

JANA, one of the subsidiaries of the Group, obtained bank facilities from local banks for short-term loans and letters of credits. These facilities bear interest at rate based on SIBOR plus a margin. These facilities are secured by a corporate guarantee from NAMA.

Long term loans

	June 30, 2017	December 31, 2016	January 01, 2016
Saudi industrial development Fund (SIDF)	591,279	591,279	591,279
Less: Current portion	(456,579)	(327,579)	(207,579)
	<u>134,700</u>	<u>263,700</u>	<u>383,700</u>
Other loans from local banks	399,762	436,776	469,900
Less: current portion	(268,262)	(278,976)	(76,000)
	<u>131,500</u>	<u>157,800</u>	<u>393,900</u>
Total long term loans	<u>266,200</u>	<u>421,500</u>	<u>777,600</u>

Loans from local banks

These loans have been obtained from two banks i.e. Jazira and Alawwal Bank to finance the expansion projects' costs of the Group as well as the employees' housing project.

The loan obtained from Jazira Bank is repayable in 10 qsemi-annual installments of SR 26.3 million each. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

One of Alawwal Bank loans is repayable in 2017. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

The second Alawwal Bank loan is repayable in quarterly installments over a period of five years starting from 2014. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

JANA has not complied with the covenant requirements of maintaining certain financial ratios of its loan agreements because of incurring losses during the current and prior periods. However, the management has classified these loans as current liabilities and classified the SIDF loan as current and non-current in accordance with the original loan repayment schedule.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

7. CONTINGENCIES AND COMMITMENTS

(a) The Group's outstanding contingencies and commitments were as follows:

	June 30, 2017	December 31,2016	As at January 01, 2016
Letters of credit	26,917	9,070	-
Capital commitments	19,730	22,840	41,680
Letters of guarantee	12,395	12,120	12,100

(b) The Group's operating lease commitments are as follows;

	June 30,2017	December 31,2016	As at January 01, 2016
Less than one year	1,142	1,450	2,120
More than one year but less than five years	14,366	14,980	16,480

8. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of subsidiaries, affiliates and Board of Directors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group's management.

Transactions with key management personnel are as follows:

	For the three months ended June 30, 2017	For the six months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2016
Directors' remuneration	240	529	460	709

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

9. SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's sales, net loss, assets and liabilities, by business segment, are as follows:

	Epoxy resin products	Chlor Alkali products	Inter-Group eliminations	Others	Total
For the period ended June 30, 2017					
Revenue	178,748	122,056	(20,966)	10,350	290,188
Net loss	(32,418)	28,102	(10,167)	7,878	(6,605)
As of June 30, 2017					
Total assets	442,993	597,632	-	561,269	1,601,894
Total liabilities	460,935	464,629	-	401,283	1,326,847

	Epoxy resin products	Chlor Alkali products	Inter-Group eliminations	Others	Total
For the period ended June 30, 2016					
Revenue	148,649	85,672	(9,566)	10,350	235,105
Net loss	(31,205)	(27,961)	(572)	6,352	(53,386)
As of June 30, 2016					
Total assets	710,362	1,086,310	-	545,474	2,342,146
Total liabilities	434,108	466,716	-	430,165	1,330,989

Reconciliation of net loss of operating segments

	June 30, 2017	June 30, 2016
Segment profit/(loss)	3,562	(52,814)
Inter-segment profit elimination	(10,167)	(572)
Net loss	(6,605)	(53,386)

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying value	Fair value	Level 1	Level 2	Level 3	Total
June 30, 2017						
Financial assets						
Investments – Available for sale	112,338	112,338	112,338	-	-	112,338
December 31, 2016						
Financial assets						
Investments – Available for sale	108,994	108,994	108,994	-	-	108,994
January 01, 2016						
Financial assets						
Investments – Available for sale	65,623	65,623	65,623	-	-	65,623
Financial liabilities						
Derivatives	849	849	-	849	-	849

11. EFFECT OF TRANSITION TO IFRS

As stated in note 2(a), these are the Group's second condensed interim financial statements prepared in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the three months and six months ended June 30, 2017.

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with SOCPA standard (previous GAAP). An explanation of how the transition from previous SOCPA standard to IFRS has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

11. EXPLANATION OF TRANSITION TO IFRS
11.1 Reconciliation of statement of financial position

Assets	Note	Effect of		Effect of		Effect of				
		SOCPA transition standards to IFRS	IFRS	SOCPA transition standards to IFRS	IFRS	SOCPA transition standards to IFRS	IFRS			
		December 31, 2016		June 30, 2016		January 01, 2016				
Non-current assets										
Property, plant and equipment	A,B & D	946,881	(100,610)	846,271	1,610,057	(78,213)	1,531,844	1,649,763	(79,623)	1,570,140
Investment property	A	-	80,173	80,173	-	81,279	81,279	-	82,385	82,385
Intangible assets	B	-	-	-	28,371	(28,371)	-	31,912	(31,912)	-
Cost of projects under development	C	200,902	-	200,902	187,418	-	187,418	163,456	-	163,456
Investments	C	108,994	76,656	185,650	102,810	58,520	161,330	83,759	60,764	144,523
Time deposits	C	76,656	(76,656)	-	-	-	-	78,900	(78,900)	-
Other assets		5,604	-	5,604	8,054	-	8,054	8,185	-	8,185
		1,339,037	(20,437)	1,318,600	1,936,710	33,215	1,969,925	2,015,975	(47,286)	1,968,689
Current assets										
Inventories	D	56,606	(4,580)	52,026	62,392	(3,981)	58,411	77,810	(3,548)	74,262
Trade receivable		92,547	-	92,547	105,592	-	105,592	93,214	-	93,214
Advances, repayments and others receivables		18,730	-	18,730	22,782	-	22,782	19,862	-	19,862
Investment		81,250	-	81,250	157,906	(76,656)	81,250	81,250	-	81,250
Cash and cash equivalents		47,558	-	47,558	104,186	-	104,186	119,225	-	119,225
		296,691	(4,580)	292,111	452,858	(80,637)	372,221	391,361	(3,548)	387,813
Total assets		1,635,728	(25,017)	1,610,711	2,389,568	(47,422)	2,342,146	2,407,336	(50,834)	2,356,502

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

	11.1 Reconciliation of statement of financial position (continued)		Effect of		Effect of		Effect of	
	SOCPA transition standards to IFRS		SOCPA transition standards to IFRS		SOCPA transition standards to IFRS		SOCPA transition standards to IFRS	
	December 31, 2016	IFRS	June 30, 2016	IFRS	January 01, 2016	IFRS	IFRS	IFRS
Note								
Equity and liabilities								
Equity								
Share capital	1,285,200	-	1,285,200	-	1,285,200	-	1,285,200	-
A available - for- sale reserve	88,455	-	64,135	-	45,084	-	45,084	-
Foreign currency translation reserve	(696)	-	(648)	-	(664)	-	(664)	-
Accumulated losses	(1,070,552)	(24,272)	(290,108)	(47,422)	(233,310)	(50,834)	(284,144)	(284,144)
	A							
	(1,070,552)	(24,272)	(290,108)	(47,422)	(233,310)	(50,834)	(284,144)	(284,144)
	B,C,D							
	& E							
	302,407	(24,272)	1,058,579	(47,422)	1,096,310	(50,834)	1,045,476	
Non-current liabilities								
Long-term borrowings	421,500	-	676,475	-	777,600	-	777,600	-
Employees' benefits	43,173	(745)	40,521	-	35,860	-	35,860	-
	E							
	464,673	(745)	716,996	-	813,460	-	813,460	-
Current liabilities								
Trade and other payables	65,963	-	61,634	-	63,488	-	63,488	-
Short term loans	94,072	-	92,905	-	72,059	-	72,059	-
Long term loans - current portion	606,555	-	363,280	-	283,579	-	283,579	-
Derivatives	-	-	277	-	849	-	849	-
Accrued expenses and others	102,058	-	95,897	-	77,591	-	77,591	-
	868,648	-	613,993	-	497,566	-	497,566	-
Total liabilities	1,333,321	-	1,330,989	-	1,311,026	-	1,311,026	-
TOTAL EQUITY AND LIABILITIES	1,635,728	(25,017)	2,389,568	(47,422)	2,407,336	(50,834)	2,356,502	

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS JUNE 30, 2017
Expressed in Saudi Riyal '000

11. EXPLANATION OF TRANSITION TO IFRS (continued)
11.2 Reconciliation of statement of profit or loss and other comprehensive income

Notes	Effect of SOCPA transition standards to IFRS		Effect of SOCPA transition standards to IFRS		Effect of SOCPA transition standards to IFRS					
	Year ended December 31, 2016	IFRS	Period from April 1 to June 30, 2016	IFRS	Period from January 1 to June 30, 2016	IFRS				
Revenue	A	432,165	20,700	452,865	117,034	5,175	122,209	224,755	10,350	235,105
Cost of sales	D	(1,137,616)	(277)	(1,137,893)	(128,750)	(66)	(128,816)	(243,419)	(129)	(243,548)
Gross loss		(705,451)	20,423	(685,028)	(11,716)	5,109	(6,607)	(18,664)	10,221	(8,443)
Selling and distribution expenses		(42,259)	-	(42,259)	(11,897)	-	(11,897)	(22,270)	-	(22,270)
General and administrative expenses	B & C	(85,829)	26,094	(59,735)	(9,071)	1,771	(7,300)	(17,514)	3,541	(13,973)
Operating loss		(833,539)	46,517	(787,022)	(32,684)	6,880	(25,804)	(58,448)	13,762	(44,686)
Finance cost		(32,251)	-	(32,251)	(7,470)	-	(7,470)	(14,919)	-	(14,919)
Finance income		7,823	-	7,823	2,466	-	2,466	2,893	-	2,893
Other income	A	31,759	(20,700)	11,059	5,870	(5,175)	695	16,341	(10,350)	5,991
Loss before zakat		(826,208)	25,817	(800,391)	(31,818)	1,705	(30,113)	(54,134)	3,412	(50,721)
Zakat charge		(11,034)	-	(11,034)	(1,332)	-	(1,332)	(2,665)	-	(2,665)
Net loss		(837,242)	25,817	(811,425)	(33,150)	1,705	(31,445)	(56,799)	3,412	(53,386)

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS JUNE 30, 2017
Expressed in Saudi Riyal '000

11. EXPLANATION OF TRANSITION TO IFRS (continued)

11.2 Reconciliation of statement of profit or loss and other comprehensive income (continued)

Other Comprehensive Income	Effect of SOCPA transition to IFRS standards		Effect of SOCPA transition to IFRS standards		Effect of SOCPA transition to IFRS standards	
	Year ended December 31, 2016	IFRS	Period from April 1 to June 30, 2016	IFRS	Period from January 1 to June 30, 2016	IFRS
<i>Items that may be subsequently reclassified to profit or loss:</i>						
Change in fair value of available for sale investments	-	43,371	-	5,853	-	19,051
Exchange differences on translation of foreign operations	-	(32)	-	10	-	16
Total Other Comprehensive Income	-	43,339	-	5,863	-	19,067
Total Comprehensive loss	(837,242)	69,156	(33,150)	7,568	(56,799)	22,479
		(43,339)		(5,863)		(19,067)
		(768,086)		(25,582)		(34,319)

11.3 Reconciliation of equity

	Note	As at 31 December 31, 2016	As at June 30, 2016	As at January 01, 2016
Total equity under SOCPA Standards		302,407	1,058,579	1,096,310
Intangible assets write off.	B	(23,954)	(28,371)	(31,912)
Impairment of available for sale investment	C	-	(18,136)	(18,136)
Depreciation of capital spare parts	D	(1,063)	(915)	(786)
Actuarial valuation charge	E	745	-	-
Total equity under IFRS		278,135	1,011,157	1,045,476

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

11. EXPLANATION OF TRANSITION TO IFRS (continued)

11.4 Notes to the reconciliations

(A). Property, plant and equipment

The Group earns rental income from one of its building which had been previously classified under Property, Plant and Equipment (PPE) under SOCPA standards as there was no requirement in these standards to disclose it separately. However, under IFRS (IAS 40 – Investment Property), building held to earn rentals should be classified as Investment Property. Accordingly, the management has reclassified said building having book value of SR 82.39 million, SR 81.28 million and SR 80.17 million as of January 01, 2016, June 30, 2016 and December 31, 2016 respectively from PPE to investment property. This building was previously held under cost model and the management continue to follow the same model (cost model) as allowed by IAS 40, therefore, there is no impacts on profit or loss and retained earnings in prior period presented. Also, the Group has reclassified the rental earned from the investment property from other income to revenue.

(B). Intangible assets

Under previous SOCPA standards pre-operating cost and loan upfront fees are capitalized under intangible asset. However, such costs do not fulfil recognition criteria under IFRS to be eligible for recognition as an asset. As a result, an amount of SR 31.91 million and SR 28.37 million related to pre operating costs and loan upfront fees was charged to retained earnings as of January 01, 2016 and June 30, 2016 respectively. The Group adjusted the relevant impairment loss already allocated to such intangible assets as at December 31, 2016 under previous SOCPA standards amounted to SR 23.95 million with PPE.

The Group has also reversed the excess amortization expense charged to statement of comprehensive income amounted to SR 1.77 million and SR 7.96 million for the three months ended June 30, 2016 and for the year ended December 31, 2016, respectively.

(C). Investments

On January 01, 2016, the Group re-classified balances appearing under time deposits amounted to SR 78.9 million and available for sale investment amounted to SR 65.6 million in to investments and shown as a separate item in accordance with IAS 1. The same re-classification was done as at June 30, 2016 and December 31, 2016.

The Group, as required by IAS 39, tested its unquoted equity investments classified as available for sale investments for impairment as at January 01, 2016 and June 30, 2016 and recognized an impairment loss of SR 18.12 million in the retained earnings. The aforesaid impairment loss had already been recognized in retained earnings as of December 31, 2016 and as a result, the impairment loss recognized in the statement of comprehensive income for the year ended December 31, 2016 amounted to SR 18.12 million was reversed.

(D). Inventories

Under SOCPA standards, the Group accounts for stores and spares as part of inventory and values it using on moving weighted average methodology without differentiating between capital and other spares. Under IFRS (IAS 16 - Property, Plant and Equipment) 'Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.' During transition phase, the Group has identified capital spare parts having useful life more than one year which needs to be classified from inventory to property, plant and equipment. The cumulative impact of the same would increase the carrying amount of property, plant and equipment by SR 3.54 million, SR 3.98 million and SR 4.58 million as of January 01, 2016, June 30, 2016 and December 31, 2016 respectively.

Further, the resulting cumulative additional depreciation recognized on such capital spares amounted to SR 0.79 million, SR 0.98 million and SR 1.1 million as of January 01, 2016, June 30, 2016 and December 31, 2016 respectively.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2017
Expressed in Saudi Riyal '000

11. EXPLANATION OF TRANSITION TO IFRS (continued)

11.4 Notes to the reconciliations (Continued)

(E). Employees benefit obligations

Under SOCPA Standards, the Group recorded its liability under employees benefit obligations based on regulatory requirements. In order to determine the liability under IAS 19 – Employee Benefits as at December 31, 2016, the Group involved an independent actuary to carry out actuarial valuations of its employees benefit obligations using Projected Unit Credit Method and the resulting difference in the liability at the same date amounted to SR 0.75 million was recognized in the retained earnings.

11.5 Exceptions/exemptions applied

The Group, as per IFRS 1 “First-time adoption of International Financial Reporting Standards”, has applied following exception/exemption in preparing the IFRS complied financial statements for the first time.

- IFRS 3 “Business Combinations” as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, that occurred before January 1, 2016. Use of this exemption means that the carrying amounts of assets and liabilities under SOCPA standards, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.
- IAS 39 “Financial Instruments : Recognition and measurement” and IAS 20 “Accounting for government grants and disclosure of government assistance” as endorsed by SOCPA have not been applied to government loans , that occurred before January 1, 2016. Use of this exception means that the carrying amounts of government loans under SOCPA standards as at January 1, 2016 is the carrying value in the opening IFRS statement of financial position. However, after the date of the transition, measurement is in accordance with IFRS.

12. APPROVAL OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been approved and authorized for issue by the Company’s Board of Directors on July 25, 2017-G.