METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

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

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
CONDENSED 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 Methanol Chemicals Company
(A Saudi Joint Stock Company)

Introduction
We have reviewed the accompanying condensed interim statement of financial position of Methanol Chemicals Company (the "Company") as of 30 June 2017 and the related condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed interim 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 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 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

25 July 2017

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٣٢٣/١١/٢٥/٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LIC. NO. 2/25/11/323

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

	Note	For the three-month period ended June 30, 2017	For the three-month period ended June 30, 2016	For the six-month period ended June 30, 2017	For the six-month period ended June 30, 2016
Revenue		**175,803,714**	170,748,632	**355,222,945**	337,961,796
Cost of sales		**(144,383,542)**	(148,009,951)	**(283,326,549)**	(296,932,084)
Gross profit		**31,420,172**	22,738,681	**71,896,396**	41,029,712
Selling and distribution expenses		**(26,389,782)**	(31,261,234)	**(51,175,091)**	(59,401,190)
General and administrative expenses		**(9,707,117)**	(11,125,623)	**(17,923,647)**	(21,191,199)
Other operating income - net	12	**19,573,706**	28,778,750	**18,733,740**	28,196,211
Operating profit (loss)		**14,896,979**	9,130,574	**21,531,398**	(11,366,466)
Financial costs		**(11,079,539)**	(8,300,766)	**(22,225,364)**	(14,507,726)
Financial income		**48,333**	-	**200,060**	-
Financial costs - net		**(11,031,206)**	(8,300,766)	**(22,025,304)**	(14,507,726)
Profit (loss) before zakat		**3,865,773**	829,808	**(493,906)**	(25,874,192)
Zakat expense		**(1,250,000)**	(750,000)	**(2,500,000)**	(1,500,000)
Profit (loss) for the period		**2,615,773**	79,808	**(2,993,906)**	(27,374,192)
Other comprehensive income for the period		**-**	-	**-**	-
Total comprehensive income (loss) for the period		**2,615,773**	79,808	**(2,993,906)**	(27,374,192)
Earnings (loss) per share (Saudi Riyals):					
Basic and diluted	15	**0.022**	0.001	**(0.025)**	(0.227)

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

Khalid Sulaiman Al Obeid	**Saud Abdullah Al Sanea**	**Mohammed Farhan Nader**
Finance Director	**Chief Executive Officer**	**Board Member**

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Condensed interim statement of financial position (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2017	As at 31 December 2016	As at 1 January 2016
Assets				
Non-current assets				
Property, plant and equipment	6	**1,744,682,906**	1,779,306,402	1,904,755,023
Intangible assets		**19,391,674**	22,011,648	19,884,383
Total non-current assets		**1,764,074,580**	1,801,318,050	1,924,639,406
Current assets				
Inventories		**113,391,988**	116,894,716	130,425,941
Trade and other receivables	7	**187,958,726**	170,489,309	200,022,862
Short-term deposits	8	**140,000,000**	-	-
Cash and cash equivalents		**98,718,721**	221,847,020	163,594,691
Total current assets		**540,069,435**	509,231,045	494,043,494
Total assets		**2,304,144,015**	2,310,549,095	2,418,682,900
Equity and liabilities				
Equity				
Share capital	9	**1,206,000,000**	1,206,000,000	1,206,000,000
Share premium		**72,850,071**	72,850,071	72,850,071
Statutory reserve		**44,118,693**	44,118,693	44,118,693
Accumulated deficit		**(211,656,404)**	(208,662,498)	(107,033,906)
Total equity		**1,111,312,360**	1,114,306,266	1,215,934,858
Liabilities				
Non-current liabilities				
Long-term borrowings	10	**925,574,978**	914,901,826	384,957,999
Employee benefit obligations	11	**47,470,274**	44,568,116	43,540,189
Total non-current liabilities		**973,045,252**	959,469,942	428,498,188
Current liabilities				
Trade and other payables	12	**131,551,095**	141,979,627	124,465,330
Current portion of long-term borrowings	10	**82,410,940**	91,148,696	320,484,524
Short-term borrowings		-	-	329,300,000
Zakat payable		**5,824,368**	3,644,564	-
Total current liabilities		**219,786,403**	236,772,887	774,249,854
Total liabilities		**1,192,831,655**	1,196,242,829	1,202,748,042
Total equity and liabilities		**2,304,144,015**	2,310,549,095	2,418,682,900

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

The condensed interim financial information including notes and other explanatory information were approved and authorised for issue by the Board of Directors on July 25, 2017 and were signed on their behalf by:

Khalid Sulaiman Al Obeid	**Saud Abdullah Al Sanea**	**Mohammed Farhan Nader**
Finance Director	**Chief Executive Officer**	**Board Member**

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Condensed interim statement of changes in equity (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Accumulated deficit	Total
At 1 January 2016		1,206,000,000	72,850,071	44,118,693	(107,033,906)	1,215,934,858
Loss for the period		-	-	-	(27,374,192)	(27,374,192)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(27,374,192)	(27,374,192)
At 30 June 2016	5	1,206,000,000	72,850,071	44,118,693	(134,408,098)	1,188,560,666
At 1 January 2017		1,206,000,000	72,850,071	44,118,693	(208,662,498)	**1,114,306,266**
Loss for the period		-	-	-	(2,993,906)	**(2,993,906)**
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(2,993,906)	**(2,993,906)**
At 30 June 2017		**1,206,000,000**	**72,850,071**	**44,118,693**	**(211,656,404)**	**1,111,312,360**

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

Khalid Sulaiman Al Obeid **Finance Director**	**Saud Abdullah Al Sanea** **Chief Executive Officer**	**Mohammed Farhan Nader** **Board Member**

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Condensed interim statement of cash flows (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June 2017	2016
Cash flows from operating activities			
Loss before zakat		**(493,906)**	(25,874,192)
Adjustments for:			
Depreciation and amortization	6	**61,302,084**	80,624,930
Loss on disposal of property and equipment		**260,081**	18,976
Provision for doubtful debts		**(158,050)**	(164,803)
Provision for inventory obsolescence		**(245,583)**	(7,060,082)
Financial costs - net		**20,089,906**	12,973,749
Provision for employee benefit obligations		**2,902,158**	(751,905)
Changes in operating assets and liabilities:			
Decrease in inventories		**3,748,311**	10,937,821
Increase in trade and other receivables		**(17,311,367)**	(22,899,080)
Decrease in trade and other payables		**(13,069,422)**	(21,121,577)
Cash generated from operations		**57,024,212**	26,683,837
Financial costs paid on borrowings		**(26,136,237)**	(9,295,446)
Zakat paid		**(320,196)**	-
Net cash inflow from operating activities		**30,567,779**	17,388,391
Cash flows from investing activities			
Placement in short-term deposits		**(140,000,000)**	-
Payments for purchases of property, plant and equipment		**(13,699,849)**	(15,001,650)
Proceeds from disposal of property, plant and equipment		**87,951**	224,009
Payments for purchases of intangible assets		**(84,180)**	(227,500)
Net cash outflow from investing activities		**(153,696,078)**	(15,005,141)
Cash flows from financing activities			
Repayments of short-term borrowings		**-**	(20,000,000)
Borrowing transaction cost paid		**-**	(1,110,160)
Net cash outflow from financing activities		**-**	(21,110,160)
Net decrease in cash and cash equivalents		**(123,128,299)**	(18,726,910)
Cash and cash equivalents at beginning of period		**221,847,020**	163,594,691
Cash and cash equivalents at end of period		**98,718,721**	144,867,781

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

Khalid Sulaiman Al Obeid	**Saud Abdullah Al Sanea**	**Mohammed Farhan Nader**
Finance Director	**Chief Executive Officer**	**Board Member**

1 General information

Methanol Chemicals Company (the "Company" or "Chemanol") is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Aritheretol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in Kingdom of Saudi Arabia and operating under Commercial Registration (CR) No. 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428 H (9 January 2008). The accompanying condensed interim financial information includes the accounts of the Company and its branch registered in Jubail under CR No. 2055001870 dated 28 Dhu al-Hijjah 1409 H (1 August 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of condensed interim financial information of the Company are set out below.

2.1 Basis of preparation

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

This condensed interim financial information of the Company 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 Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Company will prepare its first annual 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 Company prepared its first general purpose condensed 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 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 financial statements.

Condensed interim financial information does not include all the information and disclosures required in the annual 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 Company's latest annual financial statements were prepared using previous GAAP, this condensed interim financial information includes the accounting policies adopted and some additional disclosures to enable the users to understand how the transition to IFRS affected previously reported amounts.

(b) First time adoption of IFRS

The Company prepared its first general purpose condensed interim financial information for the three-month period ended 31 March 2017. This condensed 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 Company prepared its interim financial statements in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Company has prepared condensed interim financial information that comply with IAS 34 as at 30 June 2017, together with the comparative statement of financial position as of 31 December 2016 and 1 January 2016 and condensed 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 interim financial information, the Company's opening statement of financial position was prepared as at 1 January 2016 which is the Company's date of transition to IFRS. Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company are provided in Note 5 and the condensed interim financial information for the three-month period ended 31 March 2017. The Company 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 interim financial information is prepared under the historical cost convention.

(d) Standards issued but not yet effective

Certain new standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on and subsequent to 1 January 2018, but have not been early adopted by the Company. Management is currently assessing the following standards and amendments, which are likely to have an impact on the Company's condensed 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 recognized 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 Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim financial information.

2.2 Foreign currencies

(a) Functional and presentation currency

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

(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 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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.

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 following estimated useful lives of the assets. Depreciation is charged to profit or loss.

	Number of years
• Buildings and leasehold improvements	5 - 33
• Plant, machinery and equipment	3 - 35
• Furniture, fixtures and office equipment	3 - 10
• Vehicles	4

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

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Catalyst are treated as capital spares and are depreciated as and when put into use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of impairment 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 cost and any other cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is not depreciated.

2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives which are between 4 to 20 years.

2.5 Financial instruments
2.5.1 Financial assets

(i) Classification

The Company classifies 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company 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 rate method.

2.5.2 Financial liabilities

All financial liabilities are recognised at the time when the Company 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 rate 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 Impairment

2.6.1 Non-financial assets

The Company 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 Company 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, 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 Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6.2 Financial assets

The Company 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. As a practical expedient, the Company 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.

2.6.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the condensed interim financial information, when the Company 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 Inventories

Raw materials and spares, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor 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 realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Trade receivables

Trade receivables are amounts due from customers for the sale of goods 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 amortized cost using the effective interest rate method, less provision for impairment, if any. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses".

2.9 Short-term deposits

Short-term deposits are deposits with banks having original maturities of more than three months but less than a year and are presented separately as short-deposits under current assets.

2.10 Cash and cash equivalents

Cash is cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

For the purpose of presentation in the condensed interim statement of cash flows, cash and cash equivalents include cash in 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 interim statement of financial position.

2.11 Share capital

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

2.12 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 payables 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 rate method.

2.13 Borrowings

Borrowings are initially recognized at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees is capitalized as a prepayment and amortized over the period of the facility to which it relates.

Borrowings are removed from the condensed interim statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred in profit or loss.

2.15 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit scheme is not funded. Accordingly, valuation of the obligations under the plan is carried out by an independent actuary based on the projected unit credit method. The costs relating to such plan 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 and 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 interim statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations 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 Company's activities net of discounts. The Company 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 Company's activities. The Company 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.

Revenue from sale of goods

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

2.17 Financial income

Financial income is calculated using the effective interest rate method. The effective interest rate is the interest rate that exactly discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument or, when appropriate, over the shorter period to the net carrying amount of the financial asset.

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease is classified at the inception date as a finance lease or an operating lease.

2.18.1 Finance leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at 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. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability for each period. Finance charges are recognized in financial costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

2.18.2 Operating leases

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 profit or loss on a straight-line basis over the period of the lease.

2.19 Dividends

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

2.20 Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Zakat expense is recognized in each interim period based on the best estimate of the annual zakat charge expected for the full financial year. Amounts accrued for zakat 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.

2.21 Segment reporting

The condensed interim financial information is prepared on the basis of a single reporting segment consistent with the information reviewed by the Chief Operating Decision Maker of the Company.

The Board of Directors of the Company has appointed a Chief Executive Officer, who assesses the financial performance and position of the Company, and makes strategic decisions. Chief Executive Officer has been identified as being the Chief Operating Decision Maker.

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Company'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.

2.22 Earnings per share

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

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 profit for the year to a statutory reserve until such reserve equals 30% of its share capital. Transfer to statutory reserve is made at year end. 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company 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 evidence obtained from 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 valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or liability, the Company 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 Company 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 Company'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 interim statement of financial position.

4 Critical accounting estimates and judgments

The preparation of condensed 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 Company 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

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.

Estimated impairment of property, plant and equipment

The Company tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in Note 2.6.1. The recoverable amounts of CGUs 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 Company.

(All amounts in Saudi Riyals unless otherwise stated)

5 Impact of transition to IFRS

5.1 Impact of IFRS transition on the condensed 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	5.5.2	2,001,029,871	(156,186,534)	1,844,843,337
Intangible assets		18,109,753	-	18,109,753
Total non-current assets		2,019,139,624	(156,186,534)	1,862,953,090
Current assets				
Inventories		126,548,202	-	126,548,202
Trade and other receivables		221,586,745	-	221,586,745
Cash and cash equivalents		144,867,781	-	144,867,781
Total current assets		493,002,728	-	493,002,728
Total assets		2,512,142,352	(156,186,534)	2,355,955,818
Equity and liabilities				
Equity				
Share capital		1,206,000,000	-	1,206,000,000
Share premium		72,850,071	-	72,850,071
Statutory reserve		44,118,693	-	44,118,693
Retained earnings (accumulated deficit)		41,666,267	(176,074,365)	(134,408,098)
Total equity		1,364,635,031	(176,074,365)	1,188,560,666
Liabilities				
Non-current liabilities				
Long-term borrowings	5.5.4	952,111,463	6,174,455	958,285,918
Employee benefit obligations	5.5.3	29,069,447	13,718,837	42,788,284
Total non-current liabilities		981,180,910	19,893,292	1,001,074,202
Current liabilities				
Trade and other payables		120,760,671	-	120,760,671
Current portion of long-term borrowings	5.5.4	45,565,740	(5,461)	45,560,279
Total current liabilities		166,326,411	(5,461)	166,320,950
Total liabilities		1,147,507,321	19,887,831	1,167,395,152
Total equity and liabilities		2,512,142,352	(156,186,534)	2,355,955,818

(All amounts in Saudi Riyals unless otherwise stated)

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

	Note	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	5.5.1	158,717,579	12,031,053	170,748,632
Cost of sales	5.5.2, 5.5.3	(151,432,853)	3,422,902	(148,009,951)
Gross profit		7,284,726	15,453,955	22,738,681
Selling and distribution expenses	5.5.1	(19,230,181)	(12,031,053)	(31,261,234)
General and administrative expenses		(11,125,623)	-	(11,125,623)
Other operating income - net		28,778,750	-	28,778,750
Operating profit		5,707,672	3,422,902	9,130,574
Financial costs	5.5.4	(8,537,288)	236,522	(8,300,766)
(Loss) profit before zakat		(2,829,616)	3,659,424	829,808
Zakat expense		(750,000)	-	(750,000)
(Loss) profit for the period		(3,579,616)	3,659,424	79,808
Other comprehensive income for the period		-	-	-
Total comprehensive (loss) income for the period		(3,579,616)	3,659,424	79,808

(All amounts in Saudi Riyals unless otherwise stated)

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

	Note	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	5.5.1	316,395,406	21,566,390	337,961,796
Cost of sales	5.5.2, 5.5.3	(303,227,588)	6,295,504	(296,932,084)
Gross profit		13,167,818	27,861,894	41,029,712
Selling and distribution expenses	5.5.1	(37,834,800)	(21,566,390)	(59,401,190)
General and administrative expenses		(21,191,199)	-	(21,191,199)
Other operating income - net		28,196,211	-	28,196,211
Operating loss		(17,661,970)	6,295,504	(11,366,466)
Financial costs	5.5.4	(15,704,497)	1,196,771	(14,507,726)
Loss before zakat		(33,366,467)	7,492,275	(25,874,192)
Zakat expense		(1,500,000)	-	(1,500,000)
Loss for the period		(34,866,467)	7,492,275	(27,374,192)
Other comprehensive income for the period		-	-	-
Total comprehensive loss for the period		(34,866,467)	7,492,275	(27,374,192)

5.4 Impact of IFRS transition on the condensed interim statement of cash flows for the six-month period ended 30 June 2016

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

5.5 Explanations of IFRS adjustments

5.5.1 Revenue and selling and distribution expenses

In accordance with the previous GAAP, sales to the marketers were presented after deduction of certain expenses as per the terms of the respective marketing arrangements. However, the Company has presented such sales to the marketers on gross basis and has recorded the expenses under selling and distribution expenses, as required by IAS - 1 "Presentation of financial statements".

For the three-month and the six-month periods ended 30 June 2016, the above mentioned adjustment has resulted in an increase in revenue and selling and distribution expenses of the Company by Saudi Riyals 12.0 million and 21.6 million respectively.

5.5.2 Impairment indicators assessment and impairment

In accordance with the previous GAAP, the Company 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 Company 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 Company'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 future market prices provided by an expert;
- The growth rate considered to project the cash flows beyond the period covered by management approved budget and forecasts; and
- The discount rate used was approximately 13.2% based on the weighted average cost of capital in the cash flow projection.

As at 30 June 2016, the above mentioned adjustment has resulted in a decrease in property, plant and equipment and retained earnings of the Company by Saudi Riyals 156.2 million. This adjustment has resulted in a lower depreciation charge and accordingly cost of sales and the loss for the three-month and six-month periods ended 30 June 2016 are lower by Saudi Riyals 3.7 million and Saudi Riyals 7.4 million, respectively.

5.5.3 Employee benefit obligations

In accordance with the previous GAAP, the Company recognized liability 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 Company has re-measured the defined benefit liability in accordance with the projected unit credit method, as required by IAS - 19 "Employee benefits".

As at 30 June 2016, the above mentioned adjustment has resulted in an increase in employee benefit obligations (liability) and decrease in retained earnings of the Company by Saudi Riyals 13.7 million.

5.5.4 Amortisation of transaction costs using effective interest rate method

Before the transition date, amortization of the transaction costs paid at the time of the acquisition of long-term borrowings was charged to the income statement using the straight line method in conformity with the previous GAAP as the straight line method did not generate materially different results compared to effective interest rate method. However, as at the date of transition to IFRS, the Company has re-measured such cost using the effective interest rate method, as required by IAS - 39 "Financial instruments: recognition and measurement".

As at 30 June 2016, the above mentioned adjustment has resulted in an increase in long-term borrowings and decrease in retained earnings of the Company by Saudi Riyals 6.2 million.

6 Property, plant and equipment

During the six-month period ended 30 June 2017, the Company has re-assessed the useful life range of its plant and equipment and has revised the estimated useful life range from 3 - 20 years to 3 - 35 years. The revision in estimated useful life range is considered to be a change in accounting estimate and accordingly, the effect of this change has been adopted prospectively. As a result of this change, the depreciation charge and the loss for the three-month and six-month periods ended 30 June 2017 is lower by Saudi Riyals 10.0 million and Saudi Riyals 20.0 million respectively, than it would have been using the previous useful life range.

(All amounts in Saudi Riyals unless otherwise stated)

7 Trade and other receivables

	30 June 2017	31 December 2016
Trade receivables	**162,876,674**	152,487,221
Less: provision for doubtful debts	**(571,159)**	(729,209)
	162,305,515	151,758,012
Advances to suppliers	**13,358,191**	5,940,470
Advances to employees	**4,976,268**	6,127,670
Prepayments	**5,518,498**	5,186,580
Other	**1,800,254**	1,476,577
	187,958,726	170,489,309

8 Short-term deposits

Short-term deposits represent time deposits placed with commercial banks during the six-month period ended 30 June 2017 and yield financial income at prevailing market rates.

9 Share capital

As at 30 June 2017, the authorized, issued and fully paid up share capital comprises of 120.6 million (31 December 2016: 120.6 million) ordinary shares of Saudi Riyals 10 per share.

10 Long-term borrowings

	30 June 2017	31 December 2016
Saudi Industrial Development Fund ("SIDF")	**385,000,000**	385,000,000
Murabaha Facilities-Syndicate loans	**327,685,000**	327,685,000
Murabaha Facilities-Bilateral loans	**309,000,000**	309,000,000
	1,021,685,000	1,021,685,000
Less unamortized transaction costs related to:		
SIDF	**(3,393,354)**	(4,089,893)
Murabaha Facilities-Syndicate loans	**(5,632,996)**	(6,323,044)
Murabaha Facilities-Bilateral loans	**(4,672,732)**	(5,221,541)
	(13,699,082)	(15,634,478)
	1,007,985,918	1,006,050,522

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	**82,410,940**	91,148,696
Long-term borrowings	**925,574,978**	914,901,826
	1,007,985,918	1,006,050,522

Movements in unamortized transaction costs are as follows:

	30 June 2017	31 December 2016
Balance at beginning of period / year	**15,634,478**	7,242,477
Additions	**-**	12,430,303
Less: amortization	**(1,935,396)**	(4,038,302)
Balance at end of period / year	**13,699,082**	15,634,478
Related to:		
Current maturity shown under current liabilities	**3,973,586**	3,851,304
Shown under long-term borrowings	**9,725,496**	11,783,174
	13,699,082	15,634,478

10.1 SIDF loan

The loan agreements with SIDF provided for loans of Saudi Riyals 600.0 million to finance expansion and construction of the Company's production facilities, which were fully drawn by June 2010. Up-front and annual administrative fees are charged by SIDF under the loan agreements.

The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions, limiting the dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 30 June 2017, the Company was in compliance with these covenants. The loan is secured by mortgage of the property, plant and equipment of the Company at 30 June 2017. The carrying values of the SIDF loan are denominated in Saudi Riyals.

During the year ended 31 December 2016, the Company restructured the SIDF loan and finalized the restructuring agreement with SIDF. The maturity of the loan, based on the revised repayment schedule, was spread in 2017 through 2020. The restructuring did not result in substantial modification of the terms of the loan agreement.

During the six-month period ended 30 June 2017, the Company further restructured the SIDF loan and finalized the restructuring agreement with SIDF. The aggregate maturity of the loan, based on the revised repayment schedule, is now spread in 2018 through 2021. The restructuring did not result in substantial modification of the terms of the loan agreement.

10.2 Murabaha facilities

During 2007, the Company entered into an agreement with a syndicate of banks, namely, Arab Banking Corporation (B.S.C), Riyad Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and Saudi British Bank (collectively called as "Murabaha Facility Participants") to provide Murabaha Facilities and Syndicate and Bilateral loans for financing of expansion projects. These loans bear financial charges based on prevailing market rates which are based on Saudi interbank offered rates.

The covenants of the above borrowing facilities require the Company to maintain certain level of financial conditions, limiting the dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 30 June 2017, the Company was in compliance with these covenants. The carrying values of such long-term borrowings are denominated in Saudi Riyals.

During 2016, the Company restructured its short-term and long-term borrowings and finalized the restructuring agreements with its lender institutions. The aggregate maturities of these loans, based on their respective revised repayment schedules, are now spread in 2018 through 2022. The restructuring did not result in substantial modification of the terms of the loan agreement.

(All amounts in Saudi Riyals unless otherwise stated)

11 Employee benefit obligations

11.1 General description of the plan

The Company 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	**44,568,116**	43,540,189
Current service cost	**3,196,500**	6,368,000
Interest cost	**938,500**	1,621,000
Payments	**(1,232,842)**	(6,961,073)
Balance at end of period / year	**47,470,274**	44,568,116

11.2 Key actuarial assumptions

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

12 Trade and other payables

	30 June 2017	31 December 2016
Trade payables	**68,008,571**	44,439,750
Accrued expenses	**43,068,450**	57,460,889
Advances from customers	**2,148,566**	1,100,980
Other	**18,325,508**	38,978,008
	131,551,095	141,979,627

During 2016, the Company liquidated a performance bank guarantee, amounting to US dollars 10.0 million (Saudi Riyals 37.5 million), issued by one of its marketers due to non-compliance with its off-take and other contractual obligations under the marketing agreement. The Company recorded the cash received under "Cash and cash equivalents" with a corresponding liability included under "Other" above at 31 December 2016 with no impact on the net loss for the year ended 31 December 2016. The Company entered into arbitration with the marketer to resolve the matter and the parties reached an agreement during the six-month period ended 30 June 2017 resulting in an obligation of the marketer towards the Company amounting to US dollars 5.5 million (Saudi Riyals 20.6 million) which the Company has recorded under "Other operating income" for the three-month period ended 30 June 2017. The remaining liability of the Company towards the marketer amounting to US dollars 4.5 million (Saudi Riyals 16.9 million) is included under "Other" above at 30 June 2017.

13 Status of zakat assessments and certificates

The Company has received the zakat assessments from the GAZT for the years through 2010. Zakat assessments for the years 2011 through 2016 have not been finalized by the GAZT. The Company has obtained zakat certificates for the years through 2016.

(All amounts in Saudi Riyals unless otherwise stated)

14 Related party transactions

Related parties comprise the shareholders, directors, associate 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 entered into by the Company:

Nature of transactions and relationships	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2017	**2016**	**2017**	**2016**
Purchases from other related parties	**354,516**	365,461	**656,932**	481,304
Costs and expenses charged by other related parties	**138,859**	114,865	**454,216**	316,414

(b) Key management personnel compensation:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2017	**2016**	**2017**	**2016**
Salaries and other short-term employee benefits	**1,666,037**	1,996,292	**3,335,080**	3,861,568
Employee benefit obligations	**54,682**	76,983	**109,363**	153,965

15 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2017	**2016**	**2017**	**2016**
Profit (loss) for the period	**2,615,773**	79,808	**(2,993,906)**	(27,374,192)
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share	**120,600,000**	120,600,000	**120,600,000**	120,600,000
Earnings (loss) per share	**0.022**	0.001	**(0.025)**	(0.227)

16 Contingencies and commitments

(i) At 30 June 2017 the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 61.0 million and Saudi Riyals 0.5 million, respectively (31 December 2016: Saudi Riyals 62.2 million and Saudi Riyals 4.6 million respectively).

(ii) The capital expenditure contracted by the Company but not incurred till 30 June 2017 was approximately Saudi Riyals 32.0 million (31 December 2016: Saudi Riyals 15.4 million).