



THE SAUDI ARABIAN AMIAANTIT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

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

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

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

To the Shareholders
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and six-month periods then ended and the statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements 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 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matters

Without qualifying our conclusion, we would like to draw attention to the following:

- I. Notes 7 to the accompanying interim condensed consolidated financial statements. As stated therein, the Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being legally challenged by third parties. As at 30 June 2017, the net book value of property, plant and equipment constructed over this parcel of land amounted to SR 73.1 million. Management of the Group believes that the outcome of the litigation process will not affect the carrying amounts or useful lives of property, plant and equipment constructed over this parcel of land nor will it result in any liabilities.
- II. Certain financial ratios of the accompanying interim condensed consolidated financial statements do not comply with some clauses and financial covenants stated in credit facility agreements with commercial banks. Management of the Group believes that the breach will not affect the maturity profile of its debt or the availability of credit.

BAKER TILLY MKM & CO.
 Certified Public Accountants

Ayad Obeyan Alseraihi
 License No. 405
 4 Thu AL- Qa'dah 1438
 27 July 2017
 Alkhobar



THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

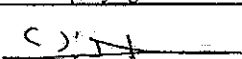
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE**

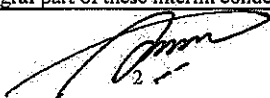
	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2017	2016	2017	2016
	SR 000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sale of goods	246,512	403,765	484,221	911,463
Rendering of services	75,395	104,946	121,416	151,534
Total revenue	321,907	508,711	605,637	1,062,997
Cost of revenue	(266,850)	(434,509)	(511,597)	(893,310)
Gross profit	55,057	74,202	94,040	169,687
Other income, net	3,721	14,868	4,878	13,256
Selling and marketing expenses	(16,003)	(16,171)	(33,293)	(35,059)
General and administrative expenses	(32,863)	(42,103)	(65,993)	(84,231)
Operating profit (loss)	9,912	30,796	(368)	63,653
Share of profit of associates	4,553	5,023	3,858	5,556
Financial charges	(25,385)	(23,114)	(50,318)	(47,114)
(Loss) profit before zakat and foreign income tax	(10,920)	12,705	(46,828)	22,095
Foreign income tax	1,730	(1,647)	1,254	(3,389)
Zakat	(6,250)	(7,751)	(14,500)	(16,500)
NET (LOSS) INCOME FOR THE PERIOD	(15,440)	3,307	(60,074)	2,206
Attributable to:				
Shareholders of the Company	(14,513)	1,555	(60,266)	2,067
Non-controlling interests	(927)	1,752	192	139
	(15,440)	3,307	(60,074)	2,206

(Loss) earnings per share from net (loss) income for the period attributable to the shareholders of the Company:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2017	2016	2017	2016
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Basic	(0.13)	0.01	(0.52)	0.02
Diluted	(0.13)	0.01	(0.52)	0.02

The accompanying notes form an integral part of these interim condensed consolidated financial statements







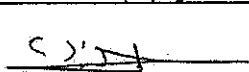

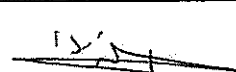
THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE**

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2017	2016	2017	2016
	SR 000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net (loss) profit for the period	(15,440)	3,307	(60,074)	2,206
Other comprehensive income				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	31,403	(499)	42,667	13,467
Change in the fair value of interest rate swap	(13)	(1,705)	(173)	(1,705)
Other comprehensive income (loss) for the period, net of tax	31,390	(2,204)	42,494	11,762
Total comprehensive income (loss) for the period	15,950	1,103	(17,580)	13,968
Attributable to:				
Shareholders of the Company	14,347	2,102	(16,389)	10,870
Non-controlling interests	1,603	(999)	(1,191)	3,098
	15,950	1,103	(17,580)	13,968

The accompanying notes form an integral part of these interim condensed consolidated financial statements

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

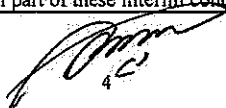
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

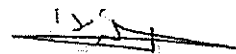
AS AT

	30 June 2017	31 December 2016	1 January 2016
	SR 000	SR 000	SR 000
	(Unaudited)	(Note 3)	(Note 3)
ASSETS			
Current assets			
Cash and cash equivalents	133,110	116,064	138,176
Accounts receivable	812,788	946,645	1,237,617
Prepayments and other receivables	153,696	119,374	218,090
Inventories	846,622	873,613	1,223,887
	<u>1,946,216</u>	<u>2,055,696</u>	<u>2,817,770</u>
Non-current assets			
Non-current receivables	634,172	526,868	496,348
Investment in associates	128,365	126,743	131,584
Property, plant and equipment	644,248	659,044	686,324
Investment properties	8,250	8,250	8,250
Intangible assets	8,646	8,995	13,251
Deferred tax assets	8,875	7,952	8,067
Other non-current assets	14,461	17,714	29,071
	<u>1,447,017</u>	<u>1,355,566</u>	<u>1,372,895</u>
TOTAL ASSETS	<u>3,393,233</u>	<u>3,411,262</u>	<u>4,190,665</u>
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	1,171,657	1,141,930	1,557,384
Current maturity of long-term borrowings	195,644	164,315	3,082
Accounts payable	180,060	192,363	378,170
Accrued expenses and other liabilities	207,099	238,468	290,286
Zakat and taxes payable	103,076	94,463	82,526
	<u>1,857,536</u>	<u>1,831,539</u>	<u>2,311,448</u>
Non-current liabilities			
Long-term borrowings	442,634	465,563	426,728
Employees' terminal benefits	63,206	67,019	66,816
Warranty provision	19,506	19,419	13,338
Other non-current liabilities	17,513	17,304	19,966
	<u>542,859</u>	<u>569,305</u>	<u>526,848</u>
Total liabilities	<u>2,400,395</u>	<u>2,400,844</u>	<u>2,838,296</u>
Equity			
Share capital	1,155,000	1,155,000	1,155,000
Statutory reserve	189,472	189,472	189,472
(Accumulated losses) retained earnings	(186,933)	(126,667)	164,058
Employee share ownership program and reserve	(31,914)	(31,914)	(31,914)
Change in fair value of interest rate swap	(2,316)	(2,143)	-
Foreign currency translation reserve	(165,191)	(209,241)	(181,349)
Equity attributable to the shareholders of the Company	<u>958,118</u>	<u>974,507</u>	<u>1,295,267</u>
Non controlling interests	34,720	35,911	57,102
Total equity	<u>992,838</u>	<u>1,010,418</u>	<u>1,352,369</u>
TOTAL LIABILITIES AND EQUITY	<u>3,393,233</u>	<u>3,411,262</u>	<u>4,190,665</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements








THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE

	Attributable to the shareholders of the Company							Total equity SR 000
	Share capital SR 000	Statutory reserve SR 000	(Accumulated losses) Retained earnings SR 000	Employee share ownership program and reserve SR 000	Change in fair value of swap interest rate SR 000	Foreign currency translation reserve SR 000	Non-controlling interests SR 000	
As at 1 January 2017 (Note 3)	1,155,000	189,472	(126,667)	(31,914)	(2,143)	(209,241)	35,911	1,010,418
Loss for the period	-	-	(60,266)	-	-	-	192	(60,074)
Other comprehensive income	-	-	-	-	(173)	44,050	(1,383)	42,494
Total comprehensive income	-	-	(60,266)	-	(173)	44,050	(1,191)	(17,580)
As at 30 June 2017 (Unaudited)	1,155,000	189,472	(186,933)	(31,914)	(2,316)	(165,191)	34,720	992,838
As at 1 January 2016 (Note 3)	1,155,000	189,472	164,058	(31,914)	-	(181,349)	57,102	1,352,369
Profit for the period	-	-	2,067	-	-	-	139	2,206
Other comprehensive income	-	-	-	-	(1,705)	10,508	2,959	11,762
Total comprehensive income	-	-	2,067	-	(1,705)	10,508	3,098	13,968
Additional contribution from non-controlling interests	-	-	-	-	-	-	3,000	3,000
Transactions with non-controlling interests	-	-	-	-	-	-	(32,197)	(14,508)
Dividends paid	-	-	17,689	-	-	-	-	(14,508)
Dividends to non-controlling interests	-	-	(75,075)	-	-	-	-	(75,075)
As at 30 June 2016 (Unaudited)	1,155,000	189,472	108,739	(31,914)	(1,705)	(170,841)	30,603	1,279,354

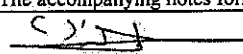
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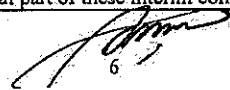



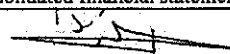

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE

	2017	2016
	SR 000	SR 000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
(Loss) income for the period	(60,074)	2,206
Adjustments for non-cash items:		
Depreciation, amortization and impairment	40,768	53,104
Share of profit of associates	(3,858)	(5,556)
Provisions	-	27,992
Deferred tax credits	-	(82)
Zakat and income tax charges	13,246	19,889
Financial charges	50,318	47,114
	<u>40,400</u>	<u>144,667</u>
Changes in working capital:		
Accounts receivable (current and non-current)	38,777	19,030
Prepayments and other receivables	(30,131)	21,475
Inventories	47,603	183,662
Accounts payable	(15,443)	(155,613)
Accrued expenses and other liabilities	(40,449)	(20,896)
Warranty provision	87	328
Employees' terminal benefits	(3,813)	(1,810)
	<u>37,031</u>	<u>190,843</u>
Zakat and income tax paid	(6,016)	(25,445)
Net cash flows from operating activities	<u>31,015</u>	<u>165,398</u>
INVESTING ACTIVITIES		
Dividends received from an associate	553	-
Purchase of property, plant and equipment	(18,023)	(39,213)
Intangible assets incurred	-	(59)
Net change in other non-current assets	9,178	(8,307)
Net cash flows used in investing activities	<u>(8,292)</u>	<u>(47,579)</u>
FINANCING ACTIVITIES		
Movement in short-term borrowings	29,727	(218,246)
Proceeds from long-term borrowings	133,079	233,206
Repayments of long-term borrowings	(124,679)	(1,524)
Dividends paid	-	(75,075)
Additional contribution from non-controlling interests	-	(1,800)
Other changes in non-controlling interests	-	(14,397)
Finance charges paid	(50,318)	(47,114)
Net change in other non-current liabilities	(73)	(2,747)
Net cash flows used in financing activities	<u>(12,264)</u>	<u>(127,697)</u>
Net change in cash and cash equivalents	<u>10,459</u>	<u>(9,878)</u>
Cash and cash equivalents at the beginning of the period	116,064	138,176
Foreign currency translation effect on cash and cash equivalents	6,587	738
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>133,110</u>	<u>129,036</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements




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THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017****1. CORPORATE INFORMATION**

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and its subsidiaries (collectively referred to as the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under commercial registration No. 2050002103 issued in Dammam on 17 Rabi' I 1388 H (13 June 1968). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia. The Company's shares are traded on the Saudi Stock Exchange (Tadawul).

Following is the list of principal operating subsidiaries of the Group:

Subsidiary	Country of incorporation	Ownership percentage as at	
		30 June 2017	31 December 2016
		%	%
Amiantit Fiberglass Industries Limited (AFIL)	Saudi Arabia	100	100
Saudi Arabian Ductile Iron Pipe Company Limited (SADIP)	Saudi Arabia	100	100
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	100	100
Infrastructure Engineering Contracting Company	Saudi Arabia	100	100
Amiantit Rubber Industries limited (ARIL)	Saudi Arabia	80	80
Ameron Saudi Arabia Limited (ASAL)	Saudi Arabia	100	100
Bondstrand Limited (BSL)	Saudi Arabia	60	60
Saudi Arabia Concrete Products Limited (SACOP)	Saudi Arabia	100	100
Fiberglass Pipes and Ductile Iron Pipes Factory Company Ltd (FPC)	Saudi Arabia	100	100
Flowtite Technology Bahrain W.L.L	Bahrain	100	100
Amiantit Germany GmbH	Germany	100	100
PWT Wasser - und Abwassertechnik GmbH (PWT)	Germany	100	100
Flowtite Technology A.S.	Norway	100	100
Amitech Poland Sp.z o.o.	Poland	100	100
Amiantit Spain	Spain	100	100
Amitech Astana LLC	Kazakhstan	51	51
Amitech France	France	100	100
Amiantit Norway AS	Norway	100	100

The country of incorporation for these subsidiaries is also their principle place of business.

On 15 June 2016, the Company executed a share purchase agreement with Ameron Inc. ("AI"), a U.S. based corporation, whereby the Company acquired their non-controlling interests in Ameron Saudi Arabia Limited ("ASAL") and Saudi Arabia Concrete Products Limited ("SACOP"). The Company purchased 30.3% of the shares of ASAL and 41.2% of the shares of SACOP, thereby becoming the sole partner of both companies, for total consideration of SR 1.9 million. The legal formalities for these transactions have been completed during 2016. The consideration paid was less than the carrying amount of non-controlling interests acquired by SR 17.7 million. This difference was recognized directly as an increase in retained earnings.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017****1. CORPORATE INFORMATION (Continued)**

On 6 February 2017, the Company signed a Joint-venture agreement with the Austrian holding WIG Wietersdorfer Holding GmbH ("WIG") regarding the merger of its European pipe manufacturing and sales companies and its Flowtite technology with the Hobas AG group of companies. The agreement states that both the Company and WIG will merge their respective pipe manufacturing business in Europe. As a result of the proposed merger, a joint venture company equally owned and mutually controlled by the Company and WIG will own and control the European pipe business activities of the two partners. When the merger will be completed, the Company will lose its control over the following significant subsidiaries:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Effective ownership percentage</u>
Amiantit Germany GmbH	Germany	100
Flowtite Technology A.S.	Norway	100
Amitech Poland Sp.z o.o.	Poland	100
Amiantit Spain	Spain	100
Amiantit France	France	100
Amiantit Norway AS	Norway	100

The combined sales and net loss of the above subsidiaries for the six-month period ended 30 June 2017 amounted to EUR 55.0 million (SR 226.8 million) and EUR 1.9 million (SR 7.8 million), respectively. The combined total assets and total liabilities of these subsidiaries as at 30 June 2017 amounted to EUR 93.1 million (SR 398.9 million) and EUR 54.5 million (SR 233.2 million), respectively. The businesses contributed from Hobas AG Group to the joint venture are of comparable size.

The execution of the JV agreement is subject to the approval of the competent merger control authorities in specific jurisdictions, principally the European Union dedicated Commission, whose decision is expected to be released before 30 September 2017. According to the JV agreement, the deal may be rescinded if such approvals are not obtained before 6 January 2018.

Due to the above conditions, the assets and liabilities of these subsidiaries have not been presented as held for sale assets and liabilities in these interim condensed consolidated financial statements.

The accompanying interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 26 July 2017.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the Saudi Organization for Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016 after considering the new accounting policies disclosed in the interim condensed consolidated financial statement for the period ended 31 March 2017 and the impact of the transition to IFRS disclosed in note 3.

For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia ("SOCPA" or "local GAAP"). These interim condensed consolidated financial statements for the period ended 30 June 2017 are for an interim period of the first year for which the Group prepares its financial statements in accordance with IFRS. Refer to note 3 for information on how the Group adopted IFRS.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the period ended 30 June 2017 are consistent with those followed in the preparation of the Group's interim condensed consolidated financial statements for the period ended 31 March 2017.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The interim condensed consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

3. FIRST-TIME ADOPTION OF IFRS

These interim condensed consolidated financial statements, for the period ended 30 June 2017, are for an interim period of the first year for which the Group prepares its financial statements in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with Local GAAP.

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS applicable as at 31 December 2017, together with the comparative period data. In preparing the financial statements, the Group's opening consolidated statement of financial position was prepared as at 1 January 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the consolidated statement of financial position as at 1 January 2016, 30 June 2016 and 31 December 2016 and the consolidated statements of comprehensive income and cash flows for the six month period ended 30 June 2016 and the consolidated statements of comprehensive income and cash flows for the year ended 31 December 2016.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The group has utilized the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the Local GAAP carrying amounts of assets and liabilities, that 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.

IFRS 1 also requires that the Local GAAP carrying amount of goodwill must be used in the opening IFRS consolidated statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.

- The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the Company rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the Company and no further translation differences occur.
- The Group has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.
- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Company has not restated for borrowing costs capitalised under Local GAAP on qualifying assets prior to the date of transition to IFRS.

Estimates

The estimates at 1 January 2016, 30 June 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from 'Employees' terminal benefits' where application of Local GAAP results in different estimates.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as at 30 June 2016 and 31 December 2016.

THE SAUDI ARABIAN ALMIANTIT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS):

ASSETS	Notes	Local GAAP	Remeasurements	IFRS as at
		SR 000	SR 000	1 January 2016 SR 000
Current assets				
Cash and cash equivalents	A	166,501	(28,325)	138,176
Accounts receivable	A,B,E	2,041,053	(803,436)	1,237,617
Prepayments and other receivables	A,C	256,647	(38,557)	218,090
Inventories	A	1,276,130	(52,243)	1,223,887
		<u>3,740,331</u>	<u>(922,561)</u>	<u>2,817,770</u>
Non-current assets				
Non-current receivables	B,G	-	496,348	496,348
Investment in associates	A	127,923	3,661	131,584
Property, plant and equipment	A	728,308	(41,984)	686,324
Investment property	C	-	8,250	8,250
Intangible assets		13,251	-	13,251
Deferred tax assets		8,067	-	8,067
Other non-current assets	A	26,628	2,443	29,071
		<u>904,177</u>	<u>468,718</u>	<u>1,372,895</u>
TOTAL ASSETS		<u>4,644,508</u>	<u>(453,843)</u>	<u>4,190,665</u>
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	A	1,618,177	(60,793)	1,557,384
Current maturity of long-term borrowings	A	18,560	(15,478)	3,082
Accounts payable	A	528,844	(150,674)	378,170
Accrued expenses and other liabilities	A	320,899	(30,613)	290,286
Zakat and taxes payable	A	90,889	(8,363)	82,526
		<u>2,577,369</u>	<u>(265,921)</u>	<u>2,311,448</u>
Non-current liabilities				
Long-term borrowings		426,728	-	426,728
Employee terminal benefits	A,D	78,743	(11,927)	66,816
Warranty provision		13,338	-	13,338
Other non-current liabilities		19,966	-	19,966
		<u>538,775</u>	<u>(11,927)</u>	<u>526,848</u>
Total liabilities		<u>3,116,144</u>	<u>(277,848)</u>	<u>2,838,296</u>
Equity				
Share capital		1,155,000	-	1,155,000
Statutory reserve		189,472	-	189,472
Retained earnings	B,D,E	332,190	(168,132)	164,058
Employee share ownership program and reserve		(31,914)	-	(31,914)
Foreign currency translation reserve	D	(181,349)	-	(181,349)
Equity attributable to the shareholders of the Company		<u>1,463,399</u>	<u>(168,132)</u>	<u>1,295,267</u>
Non controlling interests	A,D	64,965	(7,863)	57,102
Total equity		<u>1,528,364</u>	<u>(175,995)</u>	<u>1,352,369</u>
TOTAL LIABILITIES AND EQUITY		<u>4,644,508</u>	<u>(453,843)</u>	<u>4,190,665</u>

THE SAUDI ARABIAN AMIANTIT COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 30 June 2016:

	Notes	Local GAAP SR 000	Remeasurements SR 000	IFRS as at 30 June 2016 SR 000
ASSETS				
Current assets				
Cash and cash equivalents	A	140,944	(11,908)	129,036
Accounts receivable	A,B,E	2,024,457	(805,870)	1,218,587
Prepayments and other receivables	A,C	224,915	(56,700)	168,215
Inventories	A	1,071,406	(31,181)	1,040,225
		<u>3,461,722</u>	<u>(905,659)</u>	<u>2,556,063</u>
Non-current assets				
Non-current receivables	B,E	-	503,474	503,474
Investment in associates	A	130,640	6,330	136,970
Property, plant and equipment	A	728,646	(39,519)	689,127
Investment property	C	-	8,250	8,250
Intangible assets		13,283	-	13,283
Deferred tax assets		8,285	-	8,285
Other non-current assets	A	27,729	2,523	30,252
		<u>908,583</u>	<u>481,058</u>	<u>1,389,641</u>
TOTAL ASSETS		<u>4,370,305</u>	<u>(424,601)</u>	<u>3,945,704</u>
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	A	1,379,061	(39,772)	1,339,289
Current maturity of long-term borrowings		130,573	-	130,573
Accounts payable	A	347,800	(125,243)	222,557
Accrued expenses and other liabilities	A	321,725	(54,135)	267,590
Zakat and taxes payable	A	81,534	(4,564)	76,970
		<u>2,260,693</u>	<u>(223,714)</u>	<u>2,036,979</u>
Non-current liabilities				
Long-term borrowings		570,182	(38,407)	531,775
Employee terminal benefits	A,D	77,983	(12,977)	65,006
Warranty provision		12,689	977	13,666
Other non-current liabilities		18,924	-	18,924
		<u>679,778</u>	<u>(50,407)</u>	<u>629,371</u>
Total liabilities		<u>2,940,471</u>	<u>(274,121)</u>	<u>2,666,350</u>
Equity				
Share capital		1,155,000	-	1,155,000
Statutory reserve		189,472	-	189,472
Retained earnings	B,E	250,838	(142,099)	108,739
Employee share ownership program and reserve		(31,914)	-	(31,914)
Change in fair value of interest rate swap		(1,705)	-	(1,705)
Foreign currency translation reserve	D	(170,841)	-	(170,841)
Equity attributable to the shareholders of the Company		<u>1,390,850</u>	<u>(142,099)</u>	<u>1,248,751</u>
Non controlling interests	A,D	38,984	(8,381)	30,603
Total equity		<u>1,429,834</u>	<u>(150,480)</u>	<u>1,279,354</u>
TOTAL LIABILITIES AND EQUITY		<u>4,370,305</u>	<u>(424,601)</u>	<u>3,945,704</u>

THE SAUDI ARABIAN AMIANTIT COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of total comprehensive income for the six month period ended 30 June 2016:

	Notes	Local GAAP SR 000	Remeasurements SR 000	IFRS for the period ended 30 June 2016 SR 000
Sale of goods	A	1,067,599	(156,136)	911,463
Rendering of services		151,534	-	151,534
Total revenue		<u>1,219,133</u>	<u>(156,136)</u>	<u>1,062,997</u>
Cost of revenue	A	(1,023,147)	129,837	(893,310)
Gross profit		<u>195,986</u>	<u>(26,299)</u>	<u>169,687</u>
Other expenses, net	A,E	(14,129)	27,385	13,256
Selling and marketing expenses	A	(42,009)	6,950	(35,059)
General and administrative expenses	A, F	(89,087)	4,856	(84,231)
Operating profit		<u>50,761</u>	<u>12,892</u>	<u>63,653</u>
Share of profit of associates	A	2,193	3,363	5,556
Financial charges	A	(54,167)	7,053	(47,114)
(Loss) profit before zakat and foreign income tax		<u>(1,213)</u>	<u>23,308</u>	<u>22,095</u>
Foreign tax	A	(3,403)	14	(3,389)
Zakat		(16,500)	-	(16,500)
NET (LOSS) PROFIT FOR THE PERIOD		<u>(21,116)</u>	<u>23,322</u>	<u>2,206</u>
Attributable to:				
Shareholders of the Company		(23,966)	26,033	2,067
Non-controlling interests		2,850	(2,711)	139
		<u>(21,116)</u>	<u>23,322</u>	<u>2,206</u>

Other comprehensive income

*Other comprehensive income to be reclassified
to profit or loss in subsequent years:*

Exchange differences on translation of foreign operations	13,467	-	13,467
Change in fair value of interest rate swap	(1,705)	-	(1,705)
Other comprehensive income	<u>11,762</u>	<u>-</u>	<u>11,762</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>(9,354)</u>	<u>23,322</u>	<u>13,968</u>

THE SAUDI ARABIAN AMIANTT COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the six month period ended 30 June 2016:

	Local GAAP	Remeasurements	IFRS for the period ended 30 June 2016
	SR 000	SR 000	SR 000
OPERATING ACTIVITIES			
Net (loss) profit for the period	(21,116)	23,322	2,206
Adjustments for non-cash items:			
Depreciation, amortization and impairment	50,279	2,825	53,104
Share of loss (profit) of associates	(2,193)	(3,363)	(5,556)
Provisions	27,990	2	27,992
Deferred tax credits	(82)	-	(82)
Zakat and income tax charges	19,903	(14)	19,889
Financial charges	-	47,114	47,114
	<u>74,781</u>	<u>69,886</u>	<u>144,667</u>
Changes in working capital:			
Accounts receivable	16,596	2,434	19,030
Prepayments and other receivables	3,332	18,143	21,475
Inventories	204,724	(21,062)	183,662
Accounts payable	(182,919)	27,306	(155,613)
Accrued expenses and other liabilities	826	(21,722)	(20,896)
Warranty provision	-	328	328
Employee terminal benefits	(760)	(1,050)	(1,810)
	<u>116,580</u>	<u>74,263</u>	<u>190,843</u>
Zakat and income tax paid	(29,258)	3,813	(25,445)
Net cash flows from operating activities	<u>87,322</u>	<u>78,076</u>	<u>165,398</u>
INVESTING ACTIVITIES			
Purchase property, plant and equipment	(39,671)	458	(39,213)
Intangible assets incurred	(2,038)	1,979	(59)
Net change in other non-current assets	-	(8,307)	(8,307)
Net cash flows used in investing activities	<u>(41,709)</u>	<u>(5,870)</u>	<u>(47,579)</u>
FINANCING ACTIVITIES			
Movement in short-term borrowings	(239,016)	20,770	(218,246)
Proceeds from long-term borrowings	256,197	(22,991)	233,206
Repayments of long-term borrowings	(1,524)	-	(1,524)
Dividends paid to non-controlling interest	(75,075)	-	(75,075)
Additional contribution from non-controlling interest	(1,800)	-	(1,800)
Changes in non-controlling interest and other	-	(14,397)	(14,397)
Finance charges paid	(7,294)	(39,820)	(47,114)
Net change in other non-current assets	(3,396)	649	(2,747)
Net cash flows used in financing activities	<u>(71,908)</u>	<u>(55,789)</u>	<u>(127,697)</u>
			-
Net change in cash and cash equivalents	(26,295)	16,417	(9,878)
Cash and cash equivalents at the beginning of the period	166,501	(28,325)	138,176
Foreign currency translation effect	738	-	738
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>140,944</u>	<u>(11,908)</u>	<u>129,036</u>

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 31 December 2016:

	Notes	Local GAAP SR 000	Remeasurements SR 000	IFRS as at 31 December 2016 SR 000
ASSETS				
Current assets				
Cash and cash equivalents	A	122,522	(6,458)	116,064
Accounts receivable	A,B,E	1,193,786	(247,141)	946,645
Prepayments and other receivables	A,C	172,803	(53,429)	119,374
Inventories	A	918,383	(44,770)	873,613
		<u>2,407,494</u>	<u>(351,798)</u>	<u>2,055,696</u>
Non-current assets				
Non-current receivables	B,E	565,529	(38,661)	526,868
Investment in associates	A	122,540	4,203	126,743
Property, plant and equipment	A	693,998	(34,954)	659,044
Investment property	C	-	8,250	8,250
Intangible assets		8,995	-	8,995
Deferred tax assets		7,952	-	7,952
Other non-current assets	A	14,647	3,067	17,714
		<u>1,413,661</u>	<u>(58,095)</u>	<u>1,355,566</u>
TOTAL ASSETS		<u><u>3,821,155</u></u>	<u><u>(409,893)</u></u>	<u><u>3,411,262</u></u>
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	A	1,160,387	(18,457)	1,141,930
Current maturity of long-term borrowings		164,414	(99)	164,315
Accounts payable	A	353,796	(161,433)	192,363
Accrued expenses and other liabilities	A	252,142	(13,674)	238,468
Zakat and taxes payable	A	96,493	(2,030)	94,463
		<u>2,027,232</u>	<u>(195,693)</u>	<u>1,831,539</u>
Non-current liabilities				
Long-term borrowings		520,637	(55,074)	465,563
Employee terminal benefits	A,D	72,718	(5,699)	67,019
Warranty provision		19,419	-	19,419
Other non-current liabilities		17,304	-	17,304
		<u>630,078</u>	<u>(60,773)</u>	<u>569,305</u>
Total liabilities		<u>2,657,310</u>	<u>(256,466)</u>	<u>2,400,844</u>
Equity				
Share capital		1,155,000	-	1,155,000
Statutory reserve		189,472	-	189,472
Retained earnings (accumulated losses)	B,D,E,F	21,800	(148,467)	(126,667)
Employee share ownership program and reserve		(31,914)	-	(31,914)
Change in fair value of interest rate swap		(2,143)	-	(2,143)
Foreign currency translation reserve	D	(209,241)	-	(209,241)
Equity attributable to the shareholders of the Company		<u>1,122,974</u>	<u>(148,467)</u>	<u>974,507</u>
Non controlling interests	A,D	40,871	(4,960)	35,911
Total equity		<u>1,163,845</u>	<u>(153,427)</u>	<u>1,010,418</u>
TOTAL LIABILITIES AND EQUITY		<u><u>3,821,155</u></u>	<u><u>(409,893)</u></u>	<u><u>3,411,262</u></u>

THE SAUDI ARABIAN AMIANTIT COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2016:

	Notes	Local GAAP	Remeasurements	IFRS for the
		SR 000	SR 000	year ended 31 December 2016 SR 000
Sale of goods	A	1,897,614	(73,040)	1,824,574
Rendering of services		247,672	-	247,672
Total revenue		2,145,286	(73,040)	2,072,246
Cost of revenue	A	(1,883,298)	21,281	(1,862,017)
Gross profit		261,988	(51,759)	210,229
Other income, net	A,E	(27,888)	39,145	11,257
Provision for doubtful debts	A	(78,007)	308	(77,699)
Selling and marketing expenses	A	(81,911)	17,992	(63,919)
General and administrative expenses	A,F	(167,187)	658	(166,529)
Operating loss		(93,005)	6,344	(86,661)
Share of profit of associates	A	5,729	2,365	8,094
Financial charges	A	(111,259)	7,648	(103,611)
Loss before zakat and foreign income tax		(198,535)	16,357	(182,178)
Foreign income tax	A	(7,640)	16	(7,624)
Zakat		(40,114)	-	(40,114)
NET LOSS FOR THE YEAR		(246,289)	16,373	(229,916)

OTHER COMPREHENSIVE INCOME

*Other comprehensive income to be reclassified
to profit or loss in subsequent years:*

Exchange differences on translation of foreign operations	(27,892)	-	(27,892)
Change in the fair value of interest rate swap	(2,143)	-	(2,143)
	(30,035)	-	(30,035)

*Other comprehensive income not to be reclassified
to profit or loss in subsequent years:*

Remeasurement loss on defined benefit plans	-	(90)	(90)
Other Comprehensive income	(30,035)	(90)	(30,125)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(276,324)	16,283	(260,041)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the year ended 31 December 2016:

	Local GAAP	Remeasurements	IFRS for the year ended
	SR 000	SR 000	31 December 2016 SR 000
OPERATING ACTIVITIES			
Loss for the period	(246,289)	16,373	(229,916)
Adjustments for non-cash items:			
Depreciation, amortization and impairment	114,353	(51,754)	62,599
Share of loss (profit) of associates	(5,729)	(2,365)	(8,094)
Deferred tax credits	115	-	115
Zakat and taxes	47,754	(7,637)	40,117
	(89,796)	(45,383)	(135,179)
Changes in working capital:			
Accounts receivable	282,619	(17,514)	265,105
Prepayments and other receivables	83,844	14,872	98,716
Inventories	357,747	(7,473)	350,274
Accounts payable	(175,048)	(10,759)	(185,807)
Accrued expenses and other liabilities	(68,757)	16,939	(51,818)
Warranty provision	6,081	-	6,081
Employee terminal benefits	(6,025)	6,229	204
	390,665	(43,089)	347,576
Zakat and income tax paid	(42,150)	25,076	(17,074)
Net cash flows from operating activities	348,515	(18,013)	330,502
INVESTING ACTIVITIES			
Dividends received from an associate	977	-	977
Purchase of property, plant and equipment	(72,817)	16,487	(56,330)
Intangible assets incurred	(1,838)	881	(957)
Net change in other non-current assets	-	11,757	11,757
Net cash flows used in investing activities	(73,678)	29,125	(44,553)
FINANCING ACTIVITIES			
Movement in short-term borrowings	(457,790)	42,344	(415,446)
Proceeds from long-term borrowings	274,028	(74,263)	199,765
Repayments of long-term borrowings	(34,265)	34,265	-
Dividends paid to non-controlling interest	(400)	-	(400)
Board remuneration fees paid	(1,800)	1,800	-
Transactions with non-controlling interests	(12,742)	(1,501)	(14,243)
Change in other non-current liabilities	(4,805)	2,143	(2,662)
Dividends paid	(75,075)	-	(75,075)
Net cash flows used in financing activities	(312,849)	4,788	(308,061)
Net increase in cash and cash equivalents	(38,012)	15,900	(22,112)
Cash and cash equivalents at the beginning of the year	166,501	(22,358)	144,143
Foreign currency translation effect	(5,967)	-	(5,967)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	122,522	(6,458)	116,064

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017****3. FIRST-TIME ADOPTION OF IFRS (Continued)**

Notes to the reconciliation of equity as at 1 January 2016, 30 June 2016 and 31 December 2016 and total comprehensive income for the period ended 30 June 2016 and the year ended 31 December 2016:

A. Basis of consolidation

Under Local GAAP, the Group consolidated a subsidiary when it owned the majority of its equity. Under IFRS, the Group consolidates a subsidiary when it obtains 'control' over the subsidiary. As a result, the Group deconsolidated a subsidiary in Europe ("the deconsolidated company") from the date of transition and accounted for its interest in the deconsolidated subsidiary as an investment in an associate.

The following is a summary of the deconsolidated company's financial position as at 1 January 2016, 30 June 2016 and 31 December 2016:

	<u>1 January 2016</u>	<u>30 June 2016</u>	<u>31 December 2016</u>
	SR 000	SR 000	SR 000
Assets			
Current assets	250,231	251,723	245,661
Non-current assets	41,985	39,517	34,954
Total assets	<u>292,216</u>	<u>291,240</u>	<u>280,615</u>
Liabilities and net assets			
Current liabilities	(273,343)	(226,527)	(202,506)
Non-current liabilities	(13,152)	(53,132)	(71,352)
Total liabilities	<u>(286,495)</u>	<u>(279,659)</u>	<u>(273,858)</u>
Net assets	<u>5,721</u>	<u>11,581</u>	<u>6,757</u>

The following is a summary of the deconsolidated company's profit or loss for the six month period ended 30 June 2016 and the year ended 31 December 2016:

	<u>Period ended 30 June 2016</u>	<u>Year ended 31 December 2016</u>
	SR 000	SR 000
Sales	212,714	306,901
Gross profit	31,767	51,759
Net profit for the period / year	<u>6,074</u>	<u>3,857</u>

B. Trade and retentions receivable

Previously, trade and retentions receivables were presented at their nominal amounts as current assets. Under IFRS, trade and retentions receivable which are expected to be collected beyond twelve months from the date of the consolidated statement of financial position are presented at their net present values as non-current assets. IAS 39 require financial assets of long-term nature to be discounted and recognized at their net present values using a reasonable discount rate. The difference between the nominal amounts and net present values of trade and retentions receivable as at 1 January 2016 amounted to SR 116.1 million and was charged to retained earnings.

C. Investment properties

As per IAS 40 requirements, land valued at SR 8.2 million owned by the Group and not currently or expected to be used in operations was reclassified as investment property. Therefore, there is no impact on equity as a result of this change.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017****3. FIRST-TIME ADOPTION OF IFRS (Continued)**

Notes to the reconciliation of equity as at 1 January 2016, 30 June 2016 and 31 December 2016 and total comprehensive income for the period ended 30 June 2016 and the year ended 31 December 2016 (continued):

D. Defined benefit obligation

Under Local GAAP, the Group recognised costs related to its employees' terminal benefits by calculating the obligation using current salary levels and assuming all contracts are terminated by the Group. Under IFRS, terminal benefits are recognised using the projected unit credit method. The difference of SR 9.1 million as at 1 January 2016 has been recognised against retained earnings. The difference of SR 2.6 as at 31 December 2016 has been recognised in the statement of profit or loss and the remeasurement differences as at 31 December 2016 of SR 90 thousands has been recognised in retained earnings through OCI.

E. Loss on onerous contracts

This adjustment relates to the effect of remeasuring the provision related to future losses to be recognized on certain projects with negative margins in Iraq and Turkey. Under Local GAAP, the Group used to measure such provisions using the most probable scenario for future possible outcomes. However, under IAS 37, the Group revised its assumptions taking a weighted average calculation of the various scenarios and their probabilities to reach the expected outcome.

F. Board of directors remuneration

This adjustment relates to the effect of classifying board of director's remuneration as general and administrative expenses under IFRS. Under Local GAAP, the group used to recognize such expenditure as a direct deduction from retained earnings. Accordingly, directors' remuneration for the year ended 31 December 2016 amounting to SR 1.8 million has been recognized in the consolidated statement of profit and loss.

4. EMPLOYEES' TERMINAL BENEFITS

The movement in employees' terminal benefits, a defined benefits plan, during the period is as follows:

	<u>Period ended 30 June 2017</u> SR 000	<u>Year ended 31 December 2016</u> SR 000
Balance at the beginning of the period / year	67,019	66,816
Expense charged to profit or loss	3,970	5,446
Actuarial remeasurement charged to OCI	-	6,960
Payments	(7,783)	(12,203)
Balance at the end of the period / year	<u>63,206</u>	<u>67,019</u>

The expense charged to profit or loss comprise of:

	<u>Period ended 30 June 2017</u> SR 000	<u>Year ended 31 December 2016</u> SR 000
Current service cost	8,392	11,844
Interest cost	1,985	2,301
Cost recognized in profit or loss	<u>10,377</u>	<u>14,145</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. EMPLOYEES' TERMINAL BENEFITS (Continued)

Principle actuarial assumptions	31 December 2016
Discount factor used	3.50%
Salary increase rate	1%
Rates of employee turnover	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2016	
	%	SR 000
Discount rate		
Increase	+ 0.25%	66,020
Decrease	- 0.25%	68,046
Salary growth rate		
Increase	+ 1%	71,267
Decrease	- 1%	63,157

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments, as follows:

- (i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and
- (ii) Water management and related consultancy, engineering and operations.

Selected financial information as at 30 June 2017 and 2016 and for the six-month periods then ended, summarized by the above business segments, are as follows:

	Pipe manufacturing and technology	Water segment	Total
	SR 000	SR 000	SR 000
As at and for the six month period ended 30 June 2017			
Sales to external customers	552,463	51,008	603,471
Inter-segment	2,085	81	2,166
Total revenue	554,548	51,089	605,637
Income from investments in associates (at equity)	(1,408)	5,266	3,858
Financial charges	(46,398)	(3,920)	(50,318)
Depreciation and amortization	(36,509)	(868)	(37,377)
Zakat and income tax	(13,674)	428	(13,246)
Net loss	(56,153)	(3,921)	(60,074)
Total assets	2,479,812	913,421	3,393,233
Total liabilities	(1,481,478)	(918,917)	(2,400,395)

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	Pipe manufacturing and technology	Water segment	Total
	SR 000	SR 000	SR 000
As at and for the six month period ended 30 June 2016			
Total revenue	971,398	91,599	1,062,997
Income from investments in associates (at equity)	1,584	3,972	5,556
Financial charges	(45,299)	(1,815)	(47,114)
Depreciation and amortization	(36,203)	(867)	(37,070)
Zakat and income tax	(19,479)	(410)	(19,889)
Net profit (loss)	44,276	(42,070)	2,206
Total assets	3,879,714	65,990	3,945,704
Total liabilities	2,459,038	207,312	2,666,350

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as of 30 June 2017 and 2016 and for the six-month periods then ended, summarized by geographic area, are as follows:

As at and for the six month period ended 30 June 2017:

	Saudi Arabia	Europe	Other Countries	Total
	SR 000	SR 000	SR 000	SR 000
Revenue	361,498	236,968	7,171	605,637
Non-current assets:				
- Property, plant and equipment	515,935	115,035	13,278	644,248
- Other non-current assets	569,906	154,820	78,043	802,769

As at and for the six month period ended 30 June 2016:

Sales	780,985	201,153	80,859	1,062,997
Non-current assets:				
- Property, plant and equipment	558,941	120,725	9,461	689,127
- Other non-current assets	523,775	171,337	5,402	700,514

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6. 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.

	30 June 2017					
	Carrying amount		Total SR 000	Fair value		
	Fair value SR 000	Amortised cost SR 000		Level 1 SR 000	Level 2 SR 000	Level 3 SR 000
Financial assets						
Accounts receivable (current)	-	812,788	812,788	-	-	-
Accounts receivable (non-current)	-	634,172	634,172	-	-	-
	-	<u>1,446,960</u>	<u>1,446,960</u>	-	-	-
Financial liabilities						
Short-term borrowings	-	1,171,657	1,171,657	-	-	-
Long-term borrowings	-	638,278	638,278	-	-	-
Accounts payable	-	180,060	180,060	-	-	-
Derivative financial instruments	2,316	-	2,316	-	-	2,316
	<u>2,316</u>	<u>1,989,995</u>	<u>1,992,311</u>	-	-	<u>2,316</u>

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6. FINANCIAL INSTRUMENTS (Continued)

	31 December 2016					
	Carrying amount		Fair value		Total	
	Fair value SR 000	Amortised cost SR 000	Level 1 SR 000	Level 2 SR 000	Level 3 SR 000	Total SR 000
Financial assets						
Accounts receivable (current)	-	946,645	-	-	-	-
Accounts receivable (non-current)	-	526,868	-	-	-	-
	-	<u>1,473,513</u>	-	-	-	<u>1,473,513</u>
Financial liabilities						
Short-term borrowings	-	1,141,930	-	-	-	-
Long-term borrowings	-	629,878	-	-	-	-
Accounts payable	-	192,363	-	-	-	-
Derivative financial instruments	2,143	-	-	-	2,143	2,143
	<u>2,143</u>	<u>1,964,171</u>	-	-	<u>2,143</u>	<u>2,143</u>
			1 January 2016			
	Carrying amount		Fair value		Total	
	Fair value SR 000	Amortised cost SR 000	Level 1 SR 000	Level 2 SR 000	Level 3 SR 000	Total SR 000
Financial assets						
Accounts receivable (current)	-	1,237,617	-	-	-	-
Accounts receivable (non-current)	-	496,348	-	-	-	-
	-	<u>1,733,965</u>	-	-	-	<u>1,733,965</u>
Financial liabilities						
Short-term borrowings	-	1,557,384	-	-	-	-
Long-term borrowings	-	429,810	-	-	-	-
Accounts payable	-	378,170	-	-	-	-
	-	<u>2,365,364</u>	-	-	-	<u>2,365,364</u>

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7. CONTINGENCIES AND COMMITMENTS

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting SR 225.4 million as at 30 June 2017. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 184.4 million at 30 June 2017 in relation to the borrowing facilities of related associated companies.
- (ii) The capital expenditure contracted by the Group but not yet incurred till 30 June 2017 was approximately SR 2.6 million.
- (iii) The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.