

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S  
LIMITED REVIEW REPORT  
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT  
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders  
Saudi Arabian Fertilizers Company (SAFCO)  
Al-Jubail, Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Arabian Fertilizers Company, a Saudi Joint Stock Company ("the Company") as of December 31, 2018 and the related interim condensed statements of income and other comprehensive income for the three-month and twelve-month periods then ended, statement of changes in equity and statement of cash flows for the twelve-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed 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 condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

### Other matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on these statements on 6 Jumada II 1439H (corresponding to 22 February 2018).

Deloitte and Touche & Co  
Chartered Accountants

  
Abdul Rahman S. Al-Suwayegh  
License No. 461  
15 Jumada I, 1440  
January 21, 2019



**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2018	December 31, 2017
<b>(Unaudited )</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,734,078	5,682,839
Intangible assets		51,849	53,338
Investment in an associate		692,641	676,744
Financial assets at fair value through other comprehensive income	8	605,494	558,421
Other non-current assets		170,424	183,245
<b>Total non-current assets</b>		<b>7,254,486</b>	<b>7,154,587</b>
<b>Current assets</b>			
Inventories		485,665	413,625
Trade and other receivables		598,204	365,446
Prepayments and other current assets		123,177	168,426
Short term investments		350,000	-
Cash and cash equivalents		692,694	244,784
		<b>2,249,740</b>	<b>1,192,281</b>
Assets held for sale		241	-
<b>Total current assets</b>		<b>2,249,981</b>	<b>1,192,281</b>
<b>TOTAL ASSETS</b>		<b>9,504,467</b>	<b>8,346,868</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,166,667	4,166,667
Statutory reserve		1,250,000	1,250,000
Retained earnings		1,978,793	980,442
Fair value reserve of financial assets at fair value through other comprehensive income		510,589	463,516
<b>Total equity</b>		<b>7,906,049</b>	<b>6,860,625</b>
<b>Non-current liabilities</b>			
Obligations under finance lease		10,191	10,644
Employees' benefits obligations	4	732,963	690,295
<b>Total non-current liabilities</b>		<b>743,154</b>	<b>700,939</b>

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS OF DECEMBER 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	December 31, Note 2018	December 31, 2017
	<b>(Unaudited)</b>	
<b>Current liabilities</b>		
Obligations under finance lease	452	401
Trade payables	241,023	184,628
Accrued and other current liabilities	369,534	403,250
Dividends payable	176,007	175,351
Zakat provision	5 68,248	21,674
<b>Total current liabilities</b>	<b>855,264</b>	<b>785,304</b>
<b>Total liabilities</b>	<b>1,598,418</b>	<b>1,486,243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,504,467</b>	<b>8,346,868</b>

**Designated  
Member**

Abdulaziz H. Al-Habdan

**Company's  
President**

Ahmed M. Al-Jabr

**Finance and Planning  
Senior Manager**

Abdullah A. Al-Ghamdi

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

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE THREE-MONTH AND TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period		For the twelve-month period	
		ended December 31, 2018	2017	ended December 31, 2018	2017
Sales		1,090,104	616,050	3,859,836	2,759,455
Cost of sales		(399,071)	(467,402)	(1,726,705)	(1,560,252)
<b>Gross profit</b>		<b>691,033</b>	<b>148,648</b>	<b>2,133,131</b>	<b>1,199,203</b>
Selling and distribution expenses		(28,807)	(33,935)	(138,954)	(116,490)
General and administration expenses		(88,101)	(63,913)	(301,958)	(257,910)
<b>Operating profit</b>		<b>574,125</b>	<b>50,800</b>	<b>1,692,219</b>	<b>824,803</b>
Share of profit of an associate		32,282	21,107	115,898	93,739
Finance cost		(5,707)	(5,577)	(22,588)	(23,379)
Other (expense) income, net		(9,306)	2,928	5,469	10,465
<b>Income before Zakat</b>		<b>591,394</b>	<b>69,258</b>	<b>1,790,998</b>	<b>905,628</b>
Zakat	5	(22,860)	(6,750)	(52,560)	(27,000)
<b>NET INCOME FOR THE PERIOD</b>		<b>568,534</b>	<b>62,508</b>	<b>1,738,438</b>	<b>878,628</b>
<b>Other comprehensive income for the period</b>					
<i>Other comprehensive income not to be reclassified to income in subsequent period:</i>					
Net (loss) gain on financial assets at fair value through other comprehensive income		(67,382)	(4,745)	47,073	45,554
Re-measurement gain (loss) on defined benefits plans	4	75,811	5,233	93,247	(1,441)
<b>Other comprehensive income for the period</b>		<b>8,429</b>	<b>488</b>	<b>140,320</b>	<b>44,113</b>
<b>Total comprehensive income for the period</b>		<b>576,963</b>	<b>62,996</b>	<b>1,878,758</b>	<b>922,741</b>
<b>Earnings per share (Saudi Riyals)</b>					
Basic and diluted earnings per share attributable to the equity holders of the Company	6	1.36	0.15	4.17	2.11

**Designated Member**  
Abdulaziz H. Al-Habdan

**Company's President**  
Ahmed M. Al-Jahr

**Finance and Planning Senior Manager**  
Abdullah A. Al-Ghamdi

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

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Retained earnings	Fair value reserve of financial assets at fair value through other comprehensive income	Total
Balance as at January 1, 2017	4,166,667	1,985,276	45,105	52,041	417,962	6,667,051
Net income for the period	-	-	-	878,628	-	878,628
Other comprehensive income for the period	-	-	-	(1,441)	45,554	44,113
Total comprehensive income for the period	-	-	-	877,187	45,554	922,741
Transfer from statutory reserve to retained earnings (note 11)	-	(735,276)	-	735,276	-	-
Transfer from general reserve to retained earnings (note 11)	-	-	(45,105)	45,105	-	-
Dividends (note 11)	-	-	-	(729,167)	-	(729,167)
Balance as at December 31, 2017	4,166,667	1,250,000	-	980,442	463,516	6,860,625
Net income for the period	-	-	-	1,738,438	-	1,738,438
Other comprehensive income for the period	-	-	-	93,247	47,073	140,320
Total comprehensive income for the period	-	-	-	1,831,685	47,073	1,878,758
Dividends (note 11)	-	-	-	(833,334)	-	(833,334)
Balance as at December 31, 2018 (Unaudited)	4,166,667	1,250,000	-	1,978,793	510,589	7,906,049

Designated Member

Abdulaziz H. Al-Habdan



Company's President

Ahmed M. Al-Jabr



Finance and Planning Senior Manager

Abdullah A. Al-Shamdi



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

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
*(All amounts in Saudi Riyals thousands unless otherwise stated)*

	<b>December 31, 2018</b>	December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before Zakat	<b>1,790,998</b>	905,628
<i>Adjustments to reconcile income to net cash provided by operating activities:</i>		
Depreciation of property, plant and equipment	<b>513,696</b>	478,871
Loss on disposal of property, plant and equipment	<b>750</b>	-
Write-off of intangible assets	-	1,952
Amortization of intangible assets	<b>12,413</b>	2,870
Non cash post employees benefits expense	<b>60,456</b>	43,482
Interest income	<b>(7,497)</b>	(11,932)
Share of profits of an associate	<b>(115,897)</b>	(93,739)
Finance cost	<b>22,588</b>	23,379
	<b>2,277,507</b>	1,350,511
Movement in working capital		
Inventories	<b>(72,040)</b>	3,882
Trade and other receivables	<b>(39,894)</b>	131,441
Prepayments and other current assets	<b>45,249</b>	72,169
Trade payables	<b>56,395</b>	(52,653)
Accrued and other current liabilities	<b>(33,716)</b>	(17,505)
Cash generated from operations	<b>2,233,501</b>	1,487,845
Finance cost paid	<b>(4,788)</b>	(2,971)
Employees' benefits paid	<b>(135,205)</b>	(46,527)
Zakat paid	<b>(5,986)</b>	(46,268)
<b>Net cash flows from operating activities</b>	<b>2,087,522</b>	1,392,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(570,666)</b>	(719,775)
Proceeds from disposal of property, plant and equipment	<b>1,490</b>	-
Purchase of intangible assets	<b>(7,674)</b>	(23,469)
Dividends received from an associate	<b>100,000</b>	50,000
Short term investments	<b>(350,000)</b>	-
Interest income received	<b>7,497</b>	11,932
Net movement in other non-current assets	<b>12,821</b>	(18,257)
<b>Net cash flows used in investing activities</b>	<b>(806,532)</b>	(699,569)



**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (Continued)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	December 31, 2018	December 31, 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Movement in obligations under capital lease	(402)	(358)
Dividends paid	<u>(832,678)</u>	<u>(732,540)</u>
<b>Net cash flows used in financing activities</b>	<u>(833,080)</u>	<u>(732,898)</u>
Net change in cash and cash equivalents	447,910	(40,388)
<b>Cash and cash equivalents at the beginning of the period</b>	<u>244,784</u>	<u>285,172</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>692,694</u>	<u>244,784</u>

**Supplemental non-cash transactions:**

Transfer of defined benefits obligations from a related party	181,353	-
Other employment benefits transferred from related parties, net	11,511	-
Transfer from property, plant and equipment to intangible assets	3,250	-
Transfer from property plant and equipment to assets held for sale	<u>241</u>	<u>-</u>

**Designated  
Member**  
Abdulaziz H. Al-Habdan

**Company's  
President**  
Ahmed M. Al-Jabr

**Finance and Planning  
Senior Manager**  
Abdullah A. Al-Ghamdi

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

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1. CORPORATE INFORMATION**

Saudi Arabian Fertilizers Company is a Saudi Joint Stock Company (the "Company" or "SAFCO") incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul-al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Al-Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411 H (corresponding to 14 May 1991). The previous commercial registration was initially converted to a branch. In 2013, the Board decided to cancel the branch's commercial registration.

The Company's principal activities are production and manufacturing of fertilizers of all kinds mainly "Urea and Ammonia" and trading them inside and outside the Kingdom of Saudi Arabia.

SAFCO holds a 50% equity interest in National Chemical Fertilizers Company ("Ibn Al Baytar"), 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd") and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

The interim condensed financial statements of SAFCO for the twelve-month period ended December 31, 2018 were authorised for issue on January 21, 2019.

These interim condensed financial statements have been reviewed, not audited.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These interim condensed financial statements for the twelve-month period ended December 31, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statement as at December 31, 2017.

**Basis of measurement**

These interim condensed financial statements are prepared under the historical cost convention, except for the fair value measurement of certain financial assets, using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

All values are rounded to the nearest thousand (SR "000"), except when otherwise indicated.

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards effective 1 January 2018:

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**

**IFRS 9 Financial Instruments (continued)**

The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

**Impairment**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments measured at amortization cost.

The adoption of IFRS 9 has no impact on the interim condensed financial statements of the Company.

The following assessments have been made based on the facts and circumstances at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designated financial assets as measured at Fair Value through Income Statement.
- The designation of certain investments in equity instruments not held for trading as Fair Value through Other Comprehensive Income.

The following table shows changes in classification and measurement of the different categories in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and the new measurement categories in accordance with IFRS 9 for the Company's financial assets as per 1 January 2018:

	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>	<b>Carrying value under IAS 39</b>	<b>Carrying value under IFRS 9</b>
<b>Financial assets:</b>				
Available-for-sale investments	At Fair Value	At Fair Value Through Other Comprehensive Income (FVTOCI)	558,421	558,421
Trade and other receivables	Amortized cost	Amortized cost	365,446	365,446

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of IFRS 15 has no significant impact on the interim condensed financial statements of the Company.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Company's interim condensed financial statements.

**Amendments to IAS 40 Transfers of Investment Property**

The amendments clarify when an entity should transfer property (reclassification), including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Company's interim condensed financial statements.

**Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Company's interim condensed financial statements.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**

**Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company's interim condensed financial statements.

**4. EMPLOYEES' BENEFITS OBLIGATIONS**

	<b>December 31, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	
Defined benefit obligations (DBO)	<b>699,005</b>	662,964
Defined contribution plan	<b>33,958</b>	27,331
	<b>732,963</b>	690,295

The following table represents the movement of the defined benefits obligations:

	<b>December 31, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	
Defined benefit obligations at beginning of the period	<b>662,964</b>	645,430
Transfer from a related party	<b>181,353</b>	-
Current service cost	<b>60,456</b>	47,168
Interest cost	<b>22,684</b>	24,632
Payments during the period	<b>(135,205)</b>	(46,527)
Re-measurement (gain) loss on defined benefit plans	<b>(93,247)</b>	1,441
Adjustments during the period	<b>-</b>	(9,180)
Defined benefit obligations at end of the period	<b>699,005</b>	662,964

As part of Operations and Maintenance Agreement with an affiliate of SABIC, certain number of employees and all related defined benefits obligations and assets were transferred to SAFCO, which resulted in an addition of SR 181.3 million to defined benefits obligations as of December 31, 2018. All related assets are recorded in relevant account balances.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**5. ZAKAT**

The Zakat is based on the interim condensed financial statements of the Company.

The movement in Company's Zakat provision is as follows:

	<b>December 31, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	
At beginning of the period	<b>21,674</b>	40,942
Provided during the period	<b>56,460</b>	27,000
Over provision of prior periods	<b>(3,900)</b>	-
Paid during the period	<b>(5,986)</b>	<b>(46,268)</b>
	<b>68,248</b>	21,674

The Company submitted its Zakat returns up to 2017 and obtained the required Zakat certificates and official receipts. The Company has finalized its final assessments up to the year 2015.

Subsequent to the period ended December 31, 2018, the Company received the Zakat assessment for the years 2016 and 2017 with additional Zakat liability amounting to SR 43.58 million. As at reporting date, the Company is in process of filing objection with the GAZT against this assessment. Management believes that provision is sufficient to cover any additional obligation.

In 2017, the Company received the Zakat assessment for the years 2014 and 2015 with additional liability of SR 14.2 million which was paid by the Company during 2017.

**6. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>For the three-month period ended December 31,</b>		<b>For the twelve-month period ended December 31,</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Net income attributable to Equity holders of the Company (SR '000)	<b>568,534</b>	62,508	<b>1,738,438</b>	878,628
Weighted average number of ordinary shares (SR '000)	<b>416,667</b>	416,667	<b>416,667</b>	416,667
Earnings per share (Saudi Riyals)	<b>1.36</b>	0.15	<b>4.17</b>	2.11

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
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(All amounts in Saudi Riyals thousands unless otherwise stated)

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

The following table provides the total amount of transactions that have been entered into with related parties during the twelve-month period ended December 31, 2018 and 2017.

	Sales to related parties	Purchases from related parties	Advances	Net innovation charged	Technology and innovation charged	Shared services charged	Management and services charges to related parties	Other services	Due from related parties-trade	Due to related parties-trade
<b>December 31, 2018 (Unaudited)</b>										
SABIC	3,846,545	624,956	34,190	57,698	49,552	-	316,193	506,117	64,276	
Ibn Al Baytar	9,817	14,076	-	-	-	139,132	107,318	44,576	58,485	
Al-Bayroni	3,474	386	3,374	-	-	110,463	74,792	46,741	51,306	
SABIC affiliates	-	502	-	-	-	-	80,486	404	616	
<b>December 31, 2017 (Unaudited)</b>										
SABIC	2,739,824	594,382	113,377	41,079	40,267	-	226,906	331,699	142,186	
Ibn Al Baytar	16,708	13,652	-	-	-	96,576	70,790	33,075	11,486	
Al-Bayroni	2,923	-	-	-	-	-	222	502	-	
SABIC affiliates	-	8,451	-	-	-	-	87,124	168	3,404	

7.1 The Company has a service level agreement with Saudi Basic Industries Corporation "SABIC" (Shared Services Organization - SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.

7.2 The Company's annual contribution to SABIC for technology and innovation is 1.5 % of total sales to SABIC which is charged currently to the statement of income.

7.3 Substantially, most of the Company's sales are made to SABIC under marketing and off take agreements.

7.4 The management and operational activities of SAFCO and Ibn Al Baytar were consolidated in 1994 and this has no impact on the legal structure of either company. All of the employees and their related balances were transferred to SAFCO.

7.5 The Company had entered into an Operations and Maintenance Agreement with an affiliate of SABIC in order to integrate the administrative, operational and maintenance activities of both companies. SAFCO will supervise and manage the activities of the affiliate in accordance with agreement terms. This agreement has no impact on the legal structure of either company. The agreement was effective from 1 April 2018.

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**7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

Prices and terms of payments for the above transactions are approved by the management.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period ended December 31, 2018 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended December 31, 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

**8. FAIR VALUE MEASUREMENT**

The Company measures financial assets at fair value through other comprehensive income at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial assets, other than those with carrying amounts that are reasonable approximations of fair values:

	December 31, 2018 (Unaudited)				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income	605,494	605,494	605,494	-	-
Short term investments	350,000	350,000	-	350,000	-



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**8. FAIR VALUE MEASUREMENT (CONTINUED)**

	December 31, 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income	558,421	558,421	558,421	-	-

Fair value of financial assets is derived from quoted market prices in active markets.

The management assessed that cash and cash equivalents, short term investments, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**9. SEGMENT INFORMATION**

All of the Company's operations are related to one operating segment which is fertilizers and selling its products substantially to SABIC. Accordingly, segmental analysis by operating and geographic segment has not been presented.

**10. CAPITAL COMMITMENTS**

The Board of Directors approved in their meeting held on 17 Jumada II 1436H (corresponding to April 6, 2015) a capital project to supply and build up the new electricity station for SAFCO II and SAFCO III at the Company's complex in Al-Jubail Industrial City at an estimated cost of SR 276 million. Total expenditures incurred up till December 31, 2018 amounted to SR 242.90 million (December 31, 2017: SR 241.98 million) in relation to this project. The project was mechanically completed during the year ended December 31, 2017.

The Board of Directors approved in their meeting held on 18 Ramadan 1436H (corresponding to July 5, 2015) a reliability project for SAFCO IV at the Company's complex in Al-Jubail Industrial City with an estimated procurement and construction cost of SR 747 million. Total expenditures incurred up till December 31, 2018 amounted to SR 721.65 million (December 31, 2017: SR 674.83 million) in relation to this project. The project is mechanically completed during 2018.

The Board of Directors approved in their meeting held on 6 Rabi Alawwal 1438H (corresponding to December 5, 2016) a reliability project for SAFCO III at the Company's complex in Al-Jubail Industrial City with an estimated procurement and construction cost of SR 461 million. Additional funds were approved by the Board of Directors amount to SR 51 million in the meeting held on 14 Muharram 1439H (corresponding to October 4, 2017). Total expenditures incurred up till December 31, 2018 amounted to SR 396.1 million (December 31, 2017: SR 152.28 million) in relation to this project. The project is expected to be completed in 2019.

Moreover, the Board of Directors approved future capital expenditure in relation to other projects with an amount of SR 339.23 million (December 31, 2017: SR 388.53 million).

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**11. APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS**

On 9 Rabi II 1440H (corresponding to December 16, 2018), the Company recommended to Board of Directors to approve interim cash dividends amounting SR 1.5 per share (SR 625 million in total) for the second half of 2018. The proposed dividends are subject to approval and have not been included as liability in these interim condensed financial statements.

On 25 Ramadan 1439H (corresponding to June 9, 2018), the Board of Directors approved to distribute interim cash dividends amounting SR 1 per share (SR 416.67 million in total) for the first half of 2018. Dividends were available for distribution to shareholders on August 8, 2018.

On 14 Jumada II 1439H (corresponding to February 20, 2018), the Board of Directors proposed to distribute cash dividends amounting SR 1 per share (SR 416.67 million in total) for the second half of 2017. This has been approved by the General Assembly in their extraordinary meeting held on 2 Rajab 1439H (corresponding to March 19, 2018). Dividends were available for distribution to shareholders on April 2, 2018.

On 4 Dhu-al-Hijjah II 1438H (corresponding to August 26, 2017), the Board of Directors approved to distribute interim cash dividends amounting SR 0.75 per share (SR 312.5 million in total) for the first half of 2017. Dividends were available for distribution to shareholders on September 26, 2017.

On 17 Jumada II 1438H (corresponding to February 14, 2017), the Board of Directors proposed to distribute cash dividends amounting SR 1 per share (SR 416.67 million in total) for the second half of 2016. This has been approved by the General Assembly in their extraordinary meeting held on 1 Rajab 1438H (corresponding to March 29, 2017). Dividends were available for distribution to shareholders on April 12, 2017. In the same meeting, the General Assembly approved to modify the Company's by-laws to comply with the new regulations for companies in Saudi Arabia and to transfer an amount of SR 735.28 million representing excess statutory reserve over 30% of capital to retained earnings and to transfer an amount of SR 45.11 million from general reserve to retained earnings. The legal formalities to modify the Company's by-laws were completed during 2017.

**12. SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the period ended December 31, 2018 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.

**13. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform with the presentation in the current period.