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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the consolidated financial statements of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia (ISAs). Our responsibilities under those standards are further described in the '*Auditor's Responsibilities for the Audit of the consolidated Financial Statements*' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to the following matters:

- Note 16 to the consolidated financial statements which indicates that these consolidated financial statements put the Group in breach of some of the financial covenants stated in the 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.
- Note 5 to the consolidated financial statements which describes the uncertainty related to the estimation of impairment loss on trade receivables.
- Notes 14 and 32 to the consolidated financial statements which describes the dispute over the Group's ownership of a parcel of industrial land in Jeddah.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Key Audit Matters (continued)

The Key Audit Matter

Transition to IFRS

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 ("Local GAAP").

As a result of a regulatory requirement in the Kingdom of Saudi Arabia, the Group changed its financial reporting framework from Local GAAP to International Financial Reporting Standards. These consolidated financial statements for the year ended 31 December 2017 are for the first year for which the Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants.

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 the transition process, the management of the Group and their management expert prepared a detailed gap analysis to identify differences between Local GAAP and IFRS. They also determined the transition adjustments in light of this study and assessed additional disclosure requirements.

We considered this as a key audit matter as the first-time adoption of IFRS can have a significant impact on the consolidated financial statements.

Note 4 to the consolidated financial statements provides information on the transition process, IFRS adjustments and reconciliations between Local GAAP and IFRS for comparative periods.

How the matter was addressed in our audit

We performed the following procedures in respect of the transition to IFRS:

- we assessed the appropriateness of management's adoption of IFRS 1;
- we assessed the compliance of the accounting policies adopted with IFRS;
- we evaluated the gap analysis report prepared by management and their management expert and considered other differences which could have an impact on the Group;
- we tested a sample of adjustments made to Local GAAP balances to bring them in line with IFRS to ensure adjustments are properly calculated and recorded; and
- we assessed the sufficiency of disclosures made in relation to the first-time adoption of IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Key Audit Matters (continued)

The Key Audit Matter	How the matter was addressed in our audit

Going concern assumption
 	
The Group has recognized a net loss of SR 91.5 million for the year ended 31 December 2017 and as at that date, current liabilities exceeded current assets by SR 24.0 million. In addition, the Group is in breach of certain financial covenants related to bank facilities. These conditions could indicate the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern.
 	
We considered this as a key audit matter because, if for any reason the Group is unable to continue as a going concern, using the going concern assumption for the preparation of the consolidated financial statements will not be appropriate.
 	
Note 5 to the consolidated financial statements provides information on the use of the going concern assumption.
	We performed the following procedures to assess whether it is appropriate or not for management to prepare the Group's consolidated financial statements using the going concern assumption:
	
	- we ensured management performed an assessment of the Group's ability to continue as a going concern that covers the twelve-month period following the reporting date. The assessment was in the form of a twelve-month cash forecast;
	- we obtained an understanding of, and evaluated:
	  • the process management followed to prepare the forecast;
	  • the assumptions on which the assessment is based; and
	  • management's plans for future action.
	- we obtained written representations from management regarding their future plans; and
	- we assessed the adequacy of related disclosures in the consolidated financial statements;

Impairment of trade receivables The gross balance of trade receivables as at 31 December 2017 amounted to SR 1,483.5 million against which an impairment provision of SR 224.5 million was made. The collectability of trade receivables is a key element of the Group's working capital management which is managed on an ongoing basis.	The audit procedures we performed to assess the reasonableness of the impairment of trade receivables included, amongst others: - understanding and evaluating the Group's processes relating to the monitoring of trade receivables and the review of customers' credit risk and testing the design and operational effectiveness of related controls; - ascertaining the accuracy of receivables ageing reports;

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Key Audit Matters (continued)

The Key Audit Matter

Impairment of trade receivables (continued)

We considered this as a key audit matter because the assessment of the impairment of trade receivables requires significant management judgment which in turn could significantly impact on the consolidated financial statements.

Note 5 to the consolidated financial statements provides information on significant accounting estimates, note 8 provides information on credit risk exposure and management and note 10 provides information on trade receivables and related impairment.

How the matter was addressed in our audit

- evaluating management assumptions used to determine the trade receivables impairment amount, through detailed analysis of aging of receivables and assessment of material overdue balances; and
- assessing the adequacy of the Group's disclosures on trade receivables and related risks.

The Key Audit Matter

Fair value of interest acquired in a joint venture

During 2017, the Group acquired a 50% interest in a joint venture company by the name of Amiblu Holding GmbH ("Amiblu"). The Group acquired this interest by contributing five operating subsidiaries and a technology center to Amiblu. The Group lost control over these subsidiaries and the interest in Amiblu was initially recognized at fair value.

As a result, the Group recognized the interest in Amiblu in the amount of SR 289.6 million and recognized profit on the deal of SR 63.6 million.

We considered this as a key audit matter because of the complexity of the transaction and its subjectivity to significant management estimation.

Note 2 to the consolidated financial statements provides detailed disclosures on the Amiblu deal.

How the matter was addressed in our audit

We performed the following procedures to ensure the transaction is properly recorded in the consolidated financial statements:

- we assessed the competency and experience of the independent auditors of Amiblu;
- we have sent Group audit instructions to the auditors of Amiblue and ensured their audit scope includes the audit of fair value calculations;
- we reviewed key documents prepared by the auditors of Amiblu upon finalization of their audit which states, amongst other matters, that they have engaged their valuation experts to assess the reasonableness of the fair value of Amiblue on the date of the transaction;
- we recalculated the profit on the deal;
- we reviewed legal documents related to this deal; and
- we assessed the adequacy of the Group's disclosures on this matter.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Key Audit Matters (continued)

The Key Audit Matter	How the matter was addressed in our audit
Impairment of property, plant and equipment As at 31 December 2017, the net book value of property, plant and equipment amounted to SR 500.4 million. During 2017, most of the Cash Generating Units (CGUs) of the Group had impairment indicators due to the significant decline in sales and adverse external market conditions. Management of the Group performed its annual test of impairment in December and concluded that the carrying amount of one of the CGUs has suffered impairment and recognized an impairment loss of SR 5.0 million. We considered this as a key audit matter because the assessment of the recoverable amount of CGUs requires significant management judgment which in turn could significantly impact on the consolidated financial statements. Note 5 details significant accounting estimates and note 14 details disclosures on property, plant and equipment.	We performed the following procedures in respect of the impairment of property, plant and equipment: - we obtained an understanding of the Group's structure and CGUs; - we assessed management's process for the identification of impairment indicators; - we appointed an independent expert to perform the following: • assess the appropriateness of the methodology used by management for the calculation of recoverable amounts; • assess the reasonableness of management assumptions; and • ensure the accuracy of management calculations. - we assessed the adequacy of the Group's disclosures on impairment.

Other Information Included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 annual report, other than the consolidated financial statements and our audit report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2017 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

The Group's 2017 annual report is expected to be made available to us after the date of this audit report.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SAUDI ARABIAN AMIANTIT COMPANY (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Baker Tilly MKM & Co.
Certified Public Accountants

Ayad Obeyan Alseraihi
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Al-Khobar
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18 March 2018

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER

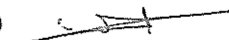
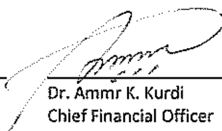
	Note	2017	2016
		SR '000	SR '000 (Note 4)
Continuing operations:			
Sale of goods		547,584	1,116,342
Rendering of services		273,008	247,672
Total revenue		820,592	1,364,014
Cost of revenue		(709,614)	(1,249,607)
Gross profit		110,978	114,407
Selling, general and administrative expenses	25	(133,397)	(221,391)
Other income, net	26	6,815	19,952
Operating loss		(15,604)	(87,032)
Share of results of equity accounted investments	13	923	(1,841)
Finance costs	27	(108,946)	(101,096)
Loss before zakat and foreign income tax		(123,627)	(189,969)
Foreign income tax	18	478	(2,351)
Zakat	18	(23,619)	(40,114)
Loss from continuing operations		(146,768)	(232,434)
Discontinued operations:			
Profit after tax from discontinued operations	2	55,222	7,003
LOSS FOR THE YEAR		(91,546)	(225,431)
Attributable to:			
Shareholders of the Company		(89,923)	(232,920)
Non-controlling interests		(1,623)	7,489
		(91,546)	(225,431)
Loss per share	30		
Loss per share for the year attributed to the shareholders of the Company:			
Basic (SR)		(0.79)	(2.05)
Diluted (SR)		(0.79)	(2.05)
Loss per share from continuing operations			
Loss per share for the year from continuing operations attributed to the shareholders of the Company:			
Basic (SR)		(1.28)	(2.11)
Diluted (SR)		(1.28)	(2.11)
Weighted average number of shares outstanding:			
Basic ('000 shares)		113,564	113,564
Diluted ('000 shares)		113,564	113,564

Prince Ahmad Bin Khalid Al Saud	Dr. Solaiman A. Al-Twaijri	Dr. Ammr K. Kurdi
Chairman	Chief Executive Officer	Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	2017	2016
		SR '000	SR '000 (Note 4)
Loss for the year		**(91,546)**	(225,431)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**82,398**	(27,892)
Change in the fair value of interest rate swap		**637**	(2,143)
		83,035	(30,035)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Remeasurement loss on defined benefit plans	13 & 19	**(1,610)**	(90)
Other comprehensive income / (loss)		**81,425**	(30,125)
Total comprehensive loss for the year		**(10,121)**	(255,556)
Attributable to:			
Shareholders of the Company		**(9,568)**	(263,018)
Non-controlling interests		**(553)**	7,462
		(10,121)	(255,556)

Prince Ahmad Bin Khalid Al Saud
Chairman

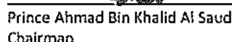
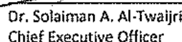
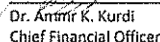
Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Dr. Ammr K. Kurdi
Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017 SR '000	31 December 2016 SR '000 (Note 4)	1 January 2016 SR '000 (Note 4)
ASSETS				
Current assets				
Cash and cash equivalents	9	**119,552**	116,064	138,176
Trade receivables	10	**795,519**	946,645	1,237,617
Prepayments and other receivables	11	**82,303**	119,374	218,090
Inventories	12	**742,856**	873,613	1,223,887
		1,740,230	2,055,696	2,817,770
Non-current assets				
Non-current receivables	10	**463,465**	526,868	496,348
Equity accounted investments	13	**416,407**	126,743	131,584
Property, plant and equipment	14	**500,445**	659,044	686,324
Other non-current assets	15	**58,359**	42,911	58,639
		1,438,676	1,355,566	1,372,895
TOTAL ASSETS		**3,178,906**	3,411,262	4,190,665
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	16	**1,062,785**	1,141,930	1,557,384
Current maturity of long-term borrowings	16	**202,443**	164,315	3,082
Accounts payable		**203,385**	192,363	378,170
Accrued expenses and other liabilities	17	**196,063**	238,468	290,286
Zakat and foreign taxes payable	18	**105,263**	94,463	82,526
		1,769,939	1,831,539	2,311,448
Non-current liabilities				
Long-term borrowings	16	**320,409**	465,563	426,728
Employees' terminal benefits	19	**66,609**	67,019	66,816
Warranty provisions	20	**8,375**	19,419	13,338
Other non-current liabilities		**15,544**	17,304	19,966
		410,937	569,305	526,848
Total liabilities		**2,180,876**	2,400,844	2,838,296
Equity				
Share capital	22	**1,155,000**	1,155,000	1,155,000
Statutory reserve		**189,472**	189,472	189,472
(Accumulated losses) / retained earnings		**(217,941)**	(126,720)	164,058
Employee share ownership program and reserve	23	**(31,914)**	(31,914)	(31,914)
Change in fair value of interest rate swap	24	**(1,506)**	(2,143)	-
Foreign currency translation reserve		**(126,232)**	(209,241)	(181,349)
Equity attributable to the shareholders of the Company		**966,879**	974,454	1,295,267
Non-controlling interests		**31,151**	35,964	57,102
Total equity		**998,030**	1,010,418	1,352,369
TOTAL LIABILITIES AND EQUITY		**3,178,906**	3,411,262	4,190,665

Prince Ahmad Bin Khalid Al Saud
Chairman

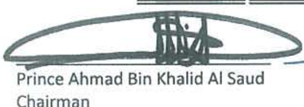
Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Dr. Ammr K. Kurdi
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the shareholders of the Company								
	Note	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 interest rate swap SR '000	Foreign currency translation reserve SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000
For the year ended 31 December 2017:										
As at 1 January 2017		**1,155,000**	**189,472**	**(126,720)**	**(31,914)**	**(2,143)**	**(209,241)**	**974,454**	**35,964**	**1,010,418**
Loss for the year		-	-	**(89,923)**	-	-	-	**(89,923)**	**(1,623)**	**(91,546)**
Other comprehensive income		-	-	**(1,298)**	-	**637**	**83,009**	**82,348**	**(923)**	**81,425**
Total comprehensive loss		-	-	**(91,221)**	-	**637**	**83,009**	**(7,575)**	**(2,546)**	**(10,121)**
Tax on non-controlling interests		-	-	-	-	-	-	-	**(2,267)**	**(2,267)**
As at 31 December 2017		**1,155,000**	**189,472**	**(217,941)**	**(31,914)**	**(1,506)**	**(126,232)**	**966,879**	**31,151**	**998,030**
For the year ended 31 December 2016:										
As at 1 January 2016		1,155,000	189,472	164,058	(31,914)	-	(181,349)	1,295,267	57,102	1,352,369
Loss for the year		-	-	(232,920)	-	-	-	(232,920)	7,489	(225,431)
Other comprehensive loss		-	-	(63)	-	(2,143)	(27,892)	(30,098)	(27)	(30,125)
Total comprehensive loss		-	-	(232,983)	-	(2,143)	(27,892)	(263,018)	7,462	(255,556)
Additional contribution from non-controlling interests		-	-	-	-	-	-	-	3,000	3,000
Transactions with non-controlling interests	2	-	-	17,280	-	-	-	17,280	(31,200)	(13,920)
Dividends declared	31	-	-	(75,075)	-	-	-	(75,075)	-	(75,075)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(400)	(400)
As at 31 December 2016		1,155,000	189,472	(126,720)	(31,914)	(2,143)	(209,241)	974,454	35,964	1,010,418



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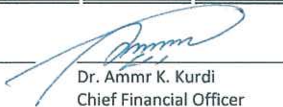
Dr. Solaiman A. Al-Twaijri
Chief Executive Officer



Dr. Ammr K. Kurdi
Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 SR '000	2016 SR '000 (Note 4)
OPERATING ACTIVITIES			
Loss for the year		(91,546)	(225,431)
Adjustments for non-cash items:			
Depreciation, amortization and impairment		62,969	62,599
Share of results of equity accounted investments		(923)	(8,094)
Deferred tax credits		-	115
Zakat and foreign income tax charges		23,141	40,117
Employees' terminal benefits, net		(1,781)	204
Warranty provisions, net		(11,275)	6,081
Gain on disposal of the Disposal Group	2.2	(63,596)	-
Finance costs		108,946	101,096
Loss on disposal of property, plant and equipment		72	-
		26,007	(23,313)
Changes in working capital:			
Trade receivables (current and non-current)		101,821	260,620
Prepayments and other receivables		3,161	104,683
Inventories		78,630	350,274
Accounts payable		62,993	(185,807)
Accrued expenses and other liabilities		(9,244)	(51,818)
		263,368	454,639
Zakat and foreign income tax paid		(12,341)	(17,074)
Net cash generated from operating activities		251,027	437,565
INVESTING ACTIVITIES			
Cash proceeds from disposal of the Disposal Group	2.2	4,421	-
Cash proceeds from disposal of property, plant and equipment		603	-
Dividends received from equity accounted investments		2,878	977
Purchase of property, plant and equipment		(21,454)	(56,330)
Net change in other non-current assets		12,350	10,800
Net cash used in investing activities		(1,202)	(44,553)
FINANCING ACTIVITIES			
Movement in short-term borrowings		(73,335)	(415,446)
Net movement in long-term borrowings		(64,143)	199,765
Dividends paid		-	(75,075)
Dividends paid to non-controlling interests		-	(400)
Other changes in non-controlling interests		-	(14,243)
Finance costs paid		(99,480)	(101,096)
Net change in other non-current liabilities		2,351	(2,662)
Net cash used in financing activities		(234,607)	(409,157)
Net change in cash and cash equivalents		15,218	(16,145)
Cash and cash equivalents at the beginning of the year		116,064	138,176
Cash and cash equivalents transferred with the Disposal Group	2.2	(21,191)	-
Foreign currency translation effect on cash and cash equivalents		9,461	(5,967)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		119,552	116,064
Non-cash transactions:			
Acquisition of 50% share in Amiblu in return for the Disposal Group	2.2	230,425	-

Prince Ahmad Bin Khalid Al Saud
Chairman

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Dr. Ammr K. Kurdi
Chief Financial Officer

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

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 number 2050002103 issued in Dammam on 17 Rabi' I 1388 H (13 June 1968 G). 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 publicly traded on the Saudi Stock Exchange ("Tadawul").

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

Subsidiary	Principal activities	Country of incorporation	Ownership percentage as at 31 December 2017 %	31 December 2016 %
Amiantit Fiberglass Industries Limited (AFIL)	A	Saudi Arabia	**100**	100
Saudi Arabian Ductile Iron Pipe Company Limited (SADIP)	A	Saudi Arabia	**100**	100
International Infrastructure Management and Operations Company Limited (AMIWATER)	B	Saudi Arabia	**100**	100
Infrastructure Engineering Contracting Company	C	Saudi Arabia	**100**	100
Amiantit Rubber Industries limited (ARIL)	A	Saudi Arabia	**80**	80
Ameron Saudi Arabia Limited (ASAL)	A	Saudi Arabia	**100**	100
Bondstrand Limited (BSL)	A	Saudi Arabia	**60**	60
Saudi Arabia Concrete Products Limited (SACOP)	A	Saudi Arabia	**100**	100
Fiberglass Pipes and Ductile Iron Pipes Factory Company Ltd (FPC)	A	Saudi Arabia	**100**	100
Flowtite Technology Bahrain W.L.L	D	Bahrain	**100**	100
PWT Wasser - und Abwassertechnik GmbH (PWT)	C	Germany	**100**	100
Amitech Astana LLC	A	Kazakhstan	**51**	51
Amiantit Germany GmbH (note 2.2)	A	Germany	**5.5**	100
Flowtite Technology A.S. (note 2.2)	D	Norway	-	100
Amitech Poland Sp.z o.o. (note 2.2)	A	Poland	-	100
Amiantit Spain (note 2.2)	A	Spain	-	100
Amitech France (note 2.2)	A	France	-	100
Amiantit Norway AS (note 2.2)	A	Norway	-	100

A- Pipe manufacturing
B- Water management
C- Contracting
D- Research and development

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

2. CHANGES IN THE REPORTING ENTITY

2.1 Acquisition of additional interests in ASAL and SACOP

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 were completed during 2016. The consideration paid was less than the carrying amount of non-controlling interests acquired of SR 31.2 million by SR 17.28 million. This difference was recognized directly as an increase in retained earnings.

2. CHANGES IN THE REPORTING ENTITY (Continued)

2.2 Amiantit - Hobas merger in Europe

On 15 December 2016, the Group publicly announced that it had signed a Memorandum of Understanding (MOU) with the Austrian holding company WIG Wietersdorfer Holding GmbH ("WIG") regarding a merger of its European pipe manufacturing and sales companies and its Flowtite technology (the "Disposal Group") with the Hobas AG group of companies. Furthermore, On 6 February 2017 the Company signed a joint venture agreement with WIG whereby its Disposal Group will be merged with the Hobas AG group of companies in Europe under a Joint Venture ("Amiblu"). On 28 August 2017, most of the legal formalities necessary for the closure of the merger and the foundation of Amiblu were completed.

The Disposal Group comprises of the following entities:

Company name	Country of incorporation	Ownership percentage as at 31 December 2017 %	31 December 2016 %
Amiantit Germany GmbH	Germany	5.5	100
Flowtite Technology A.S.	Norway	-	100
Amitech Poland Sp.z o.o.	Poland	-	100
Amiantit Spain	Spain	-	100
Amitech France	France	-	100
Amiantit Norway AS	Norway	-	100

On 28 August 2017, the operations of the Disposal Group were deconsolidated and were presented as discontinued operations. The business of the Disposal Group represented part of the Group's European operating segment (geographical segment) until 28 August 2017. With these entities being classified as discontinued operations, their respective operations are no longer presented as part of the European segment in the segment information note and the results for the year ended 31 December 2016 duly re-stated.

The results of the Disposal Group for the period are presented below:

	For the period from 1 January 2017 to 28 August 2017 SR '000	For the year ended 31 December 2016 SR '000
Revenue	257,850	467,931
Expenses	(264,189)	(452,401)
Operating (loss) / profit	(6,339)	15,530
Finance costs	(561)	(2,515)
Other expenses, net	(1,355)	(738)
(Loss)/profit before tax	(8,255)	12,277
Tax	(119)	(5,274)
(Loss)/profit for the period year from ordinary activities	(8,374)	7,003
Gain on disposal of the Disposal Group	63,596	-
Profit after tax for the period / year from discontinued operations	55,222	7,003
Earnings per share from discontinued operations:		
Basic (SR)	0.49	0.06
Diluted (SR)	0.49	0.06

2. CHANGES IN THE REPORTING ENTITY (Continued)

2.2 Amiantit - Hobas merger in Europe (Continued)

The major classes of assets and liabilities of the Disposal Group as at 28 August 2017 were as follows:

	As at 28 August 2017
	SR '000
Assets	
Cash and short-term deposits	21,191
Debtors	161,855
Inventories	80,978
Property, plant and equipment	117,967
Intangible assets	442
Assets of the Disposal Group	382,433
Liabilities	
Creditors	116,244
Interest-bearing liabilities	51,310
Liabilities directly associated with assets of the Disposal Group	167,554
Carrying amount of net assets directly associated with the Disposal Group	214,879

The net cash flows incurred by the Disposal Group are as follows:

	For the period from 1 January 2017 to 28 August 2017	For the year ended 31 December 2016
	SR '000	SR '000
Operating	10,901	58,585
Investing	(8,782)	(13,233)
Financing	(23,633)	(27,085)
Net cash (outflow)/inflow	(21,514)	18,267

As a result of the acquisition of a 50% share in Amiblu and the disposal of the Disposal Group, the Group recognized a gain on the deal in the amount of SR 63.6 million and reported the gain under profit from discontinued operations. The gain was calculated as follows:

	SR '000
Cash proceeds	4,421
Fair value of 50% share in Amiblu	289,600
Fair value of consideration received	294,021
Less:	
Carrying amount of net assets directly associated with the Disposal Group	214,879
Realization of the foreign currency translation reserve directly associated with the Disposal Group	15,546
	230,425
Gain on the deal	63,596

The fair value of the 50% share in Amiblu was calculated using the Discounted Cash Flows method. The significant unobservable valuation inputs are provided below:

Discount rate	9.1% - 10.1%
Growth rate used in the calculation of terminal value	1% - 2%

2. CHANGES IN THE REPORTING ENTITY (Continued)

2.2 Amiantit - Hobas merger in Europe (Continued)

Furthermore, the share of results from Amiblu for the period from 29 August 2017 to 31 December 2017 amounting to SR 15.3 million loss was recorded in the statement of profit or loss under share of results of equity accounted investments (note 13).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants.

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 consolidated financial statements for the year ended 31 December 2017 are for the first year for which the Group prepares its financial statements in accordance with IFRS. See note 4 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The 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.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the company directly or indirectly has:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 BASIS OF CONSOLIDATION (Continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.3.1 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions for general repairs in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

Construction works

Revenue from construction works is recognised by reference to the stage of completion. Stage of completion is measured by reference to actual costs incurred to date as a percentage of total estimated costs for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

3.3.2 EXPENSES

Expenses related to operations are allocated on a consistent basis to costs of revenue, selling, general and administrative expenses in accordance with consistent allocation factors determined as appropriate by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.3 ZAKAT AND INCOME TAX

Zakat
The Company and its Saudi Arabian subsidiaries provide for zakat in accordance with fiscal regulations in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of profit and loss.

Current foreign income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax
Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences; the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date in the countries where the Group operates and is subject to income tax.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.3 ZAKAT AND INCOME TAX (Continued)

Deferred tax (Continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period, or recognised in profit or loss.

Sales and value added tax

Revenues, expenses and assets are recognised net of the amount of sales and value added tax, except:

- Where the sales or value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales and value added tax included

The net amount of sales or value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in selling, general and administrative expenses for receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (Continued)

i) Financial assets (Continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in making payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

iii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (Continued)

iii) Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.3.6 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2016, the date of inception is deemed to be 1 January 2016 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.7 INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials:
- Purchase cost on a weighted average basis.

Finished goods and work in progress:
- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Initial cost of raw materials includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

3.3.8 EQUITY ACCOUNTED INVESTMENTS

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations taken in determining whether significant influence or joint control exists, are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as part of 'share of results of equity accounted investments' in the consolidated statement of profit or loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.9 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and land improvements - 3 to 35 years
- Plant, machinery and equipment - 4 to 25 years
- Furniture, fixtures and office equipment - 3 to 8 years

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

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

3.3.10 BORROWING COSTS

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

3.3.11 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.11 BUSINESS COMBINATIONS AND GOODWILL (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3.3.12 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the consolidated statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefits. Amortisation is recorded in cost of revenue. During the period of development, the asset is tested for impairment annually.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the impairment is tested at the CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.3.14 PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.14 PROVISIONS (Continued)

General (Continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

3.3.15 EMPLOYEES' TERMINAL BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; or
- The date on which the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of revenue', 'selling, general and administrative expenses' in the consolidated statement of profit or loss (by function):
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

3.3.16 STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to a statutory reserve until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends.

3.3.17 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.18 FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting 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 Group.

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 utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Management determines the policies and procedures for both recurring fair value measurement and for nonrecurring measurement.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.3.19 FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in Saudi Riyal, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.19 FOREIGN CURRENCIES (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their consolidated statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

3.3.20 SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

3.3.21 DISCONTINUED OPERATIONS

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and Disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or Disposal Group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A Disposal Group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- Or it is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

4. FIRST-TIME ADOPTION OF IFRS

These consolidated financial statements, for the year ended 31 December 2017, are for the first year for which the Group prepares its financial statements in accordance with IFRS. For all 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 consolidated 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 and 31 December 2016 and the consolidated statements of profit and loss, 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 consolidated 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 provisions 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 Group has not restated borrowing costs capitalised under Local GAAP on qualifying assets prior to the date of transition to IFRS.

Estimates

The estimates at 1 January 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 31 December 2016.

4. FIRST-TIME ADOPTION OF IFRS (Continued)

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

		Local GAAP	Remeasurements	IFRS as at 1 January 2016
ASSETS	**Notes**	**SR '000**	**SR '000**	**SR '000**
Current assets				
Cash and cash equivalents	A	166,501	(28,325)	138,176
Trade receivables	A,B,E	1,401,059	(163,442)	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
		3,100,337	(282,567)	2,817,770
Non-current assets				
Non-current receivables	B	639,991	(143,643)	496,348
Equity accounted investments	A	127,923	3,661	131,584
Property, plant and equipment	A	728,308	(41,984)	686,324
Other non-current assets	A	47,946	10,693	58,639
		1,544,168	(171,273)	1,372,895
TOTAL ASSETS		4,644,505	(453,840)	4,190,665
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
		2,577,369	(265,921)	2,311,448
Non-current liabilities				
Long-term borrowings		426,728	-	426,728
Employees' terminal benefits	A,D	78,743	(11,927)	66,816
Warranty provision		13,338	-	13,338
Other non-current liabilities		19,966	-	19,966
		538,775	(11,927)	526,848
Total liabilities		3,116,144	(277,848)	2,838,296
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		(181,349)	-	(181,349)
Equity attributable to the shareholders of the Company		1,463,399	(168,132)	1,295,267
Non-controlling interests	A,D	64,965	(7,863)	57,102
Total equity		1,528,364	(175,995)	1,352,369
TOTAL LIABILITIES AND EQUITY		4,644,508	(453,843)	4,190,665

4. FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 31 December 2016:

	Notes	Local GAAP	Remeasurements	IFRS as at 31 December 2016
ASSETS		SR '000	SR '000	SR '000
Current assets				
Cash and cash equivalents	A	122,522	(6,458)	116,064
Trade receivables	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
		2,407,494	(351,798)	2,055,696
Non-current assets				
Non-current receivables	B,E	565,529	(38,661)	526,868
Equity accounted investments	A	122,540	4,203	126,743
Property, plant and equipment	A	693,998	(34,954)	659,044
Other non-current assets	A	31,594	11,317	42,911
		1,413,661	(58,095)	1,355,566
TOTAL ASSETS		3,821,155	(409,893)	3,411,262
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
		2,027,232	(195,693)	1,831,539
Non-current liabilities				
Long-term borrowings	A	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
		630,078	(60,773)	569,305
Total liabilities		2,657,310	(256,466)	2,400,844
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	(148,520)	(126,720)
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		(209,241)	-	(209,241)
Equity attributable to the shareholders of the Company		1,122,974	(148,520)	974,454
Non-controlling interests	A,D	40,871	(4,907)	35,964
Total equity		1,163,845	(153,427)	1,010,418
TOTAL LIABILITIES AND EQUITY		3,821,155	(409,893)	3,411,262

4. FIRST-TIME ADOPTION OF IFRS (Continued)

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

	Notes	Local GAAP SR '000	Remeasurements SR '000	IFRS for the year ended 31 December 2016 SR '000
Continuing operations:				
Sale of goods	A	1,423,243	(306,901)	1,116,342
Rendering of services		247,672	-	247,672
Total revenue		1,670,915	(306,901)	1,364,014
Cost of revenue	A,E	(1,534,418)	284,811	(1,249,607)
Gross profit		136,497	(22,090)	114,407
Selling, general and administrative expenses	A,F	(245,223)	23,832	(221,391)
Other income, net	A,E	930	9,087	10,017
Operating loss		(107,796)	10,829	(96,967)
Share of results of equity accounted investments	A	5,729	2,365	8,094
Finance costs	A	(108,744)	7,648	(101,096)
Loss before zakat and foreign income tax		(210,811)	20,842	(189,969)
Foreign income tax	A	(2,367)	16	(2,351)
Zakat		(40,114)	-	(40,114)
Loss from continuing operations		(253,292)	20,858	(232,434)
Discontinued operations:				
Profit after tax from discontinued operations		7,003	-	7,003
LOSS FOR THE YEAR		(246,289)	20,858	(225,431)
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	D	-	(90)	(90)
Other comprehensive loss		(30,035)	(90)	(30,125)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(276,324)	20,768	(255,556)

4. 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 31 December 2016
	SR '000	SR '000	SR '000
OPERATING ACTIVITIES			
Loss for the year	(246,289)	20,858	(225,431)
Adjustments for non-cash items:			
Depreciation, amortization and impairment	114,353	(51,754)	62,599
Share of results of equity accounted investments	(5,729)	(2,365)	(8,094)
Deferred tax credits	115	-	115
Zakat and foreign income taxes	47,754	(7,637)	40,117
Warranty provisions, net	6,081	-	6,081
Employees terminal benefits, net	(6,025)	6,229	204
Finance costs	101,096	-	101,096
	11,356	(34,669)	(23,313)
Changes in working capital:			
Trade receivables (current and non-current)	282,619	(21,999)	260,620
Prepayments and other receivables	83,844	20,839	104,683
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)
	491,761	(37,122)	454,639
Zakat and foreign income tax paid	(42,150)	25,076	(17,074)
Net cash generated from operating activities	449,611	(12,046)	437,565
INVESTING ACTIVITIES			
Dividends received from equity accounted investments	977	-	977
Purchase of property, plant and equipment	(72,817)	16,487	(56,330)
Intangible assets acquired	(1,838)	881	(957)
Net change in other non-current assets	-	11,757	11,757
Net cash 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, net	239,763	(39,998)	199,765
Dividends paid	(75,075)	-	(75,075)
Dividends paid to non-controlling interests	(400)	-	(400)
Board remuneration fees paid	(1,800)	1,800	-
Other changes in non-controlling interests	(12,742)	(1,501)	(14,243)
Finance costs paid	(101,096)	-	(101,096)
Net change in other non-current liabilities	(4,805)	2,143	(2,662)
Net cash flows used in financing activities	(413,945)	4,788	(409,157)
Net change in cash and cash equivalents	(38,012)	21,867	(16,145)
Cash and cash equivalents at the beginning of the year	166,501	(28,325)	138,176
Foreign currency translation effect	(5,967)	-	(5,967)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	122,522	(6,458)	116,064

4. FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of equity as at 1 January 2016 and 31 December 2016 and total comprehensive income for 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 a joint venture.

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

	31 December 2016 SR '000	1 January 2016 SR '000
Assets		
Current assets	245,661	250,231
Non-current assets	34,954	41,985
Total assets	280,615	292,216
Liabilities		
Current liabilities	(202,506)	(273,343)
Non-current liabilities	(71,352)	(13,152)
Total liabilities	(273,858)	(286,495)
Net assets	6,757	5,721

The following is a summary of the deconsolidated company's profit or loss for the year ended 31 December 2016:

	Year ended 31 December 2016 SR '000
Revenue	306,901
Gross profit	51,759
Net profit	3,857

B. Trade receivables

Previously, trade receivables were presented at their nominal amounts as current assets. Under IFRS, trade receivables 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 a 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 receivables 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 8.25 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.

4. FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of equity as at 1 January 2016 and 31 December 2016 and total comprehensive income for 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 required obligation under IFRS as at 1 January 2016 was less by SR 9.1 million and the difference has been recognised against retained earnings. The difference of SR 2.6 million as at 31 December 2016 has been recognised in the consolidated 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. Losses 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 likely 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 value of the outcome. As at 1 January 2016, the Group recognized an additional provision for SR 61.1 million.

F. Board of directors' remuneration

This adjustment relates to the effect of classifying board of directors' remuneration as selling, 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 or loss.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties includes:

- Capital management — Note 7
- Financial instruments risk management and policies — Note 8
- Sensitivity analysis disclosures — Notes 5, 8 and 19

5.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of its trade payables and bank facilities as disclosed in note 16.

The Group has recognized a net loss of SR 91.5 million for the year ended 31 December 2017 and as at that date, current liabilities exceeded current assets by SR 29.7 million. In addition, the Group is in breach of certain financial covenants related to bank facilities as disclosed in note 16.

Furthermore, bank facilities are subject to renewal every year. The lenders are expected to undertake a review, which will include, inter alia, an assessment of:

- The financial performance of the Group against budget
- The progress of planned new product offerings
- The Group's ability to win major anticipated bids

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

5.1 Judgements (Continued)

Going concern basis of accounting (Continued)

Management believes that the repayment of the trade payables and bank facilities will occur as required and is confident that its cash flows from operating activities, in addition to existing unutilized credit facilities, will be sufficient to meet the repayment requirements as they fall due during 2018.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat and tax positions

The Group's current zakat and tax payable of SR 105.3 million relates to management's assessment of the amount of zakat and tax payable on open zakat and tax positions where the liabilities remain to be agreed with relevant tax authorities. Uncertain zakat and tax items for which a provision of SR 23.1 million is made relate principally to the interpretation of zakat and tax legislation applicable to arrangements entered into by the Group. Due to the uncertainty associated with such zakat and tax items, it is possible that, on conclusion of open zakat and tax matters at a future date, the final outcome may differ significantly.

Impairment of non-financial assets

The Group's cash generating units (CGUs) all have significant headroom except for BSL. The assessment of the recoverable amount of property, plant and equipment under BSL is most sensitive to the achievement of the 2018 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage most of the costs of BSL, the revenue projections are inherently uncertain due to unstable market conditions. Revenue of BSL is most sensitive to government spending.

A 10% decline in the recoverable amount of BSL's CGU would result in an additional impairment charge of SR 1.4 million. Other CGUs would not be impacted by such a decline.

Fair value of interest acquired in a JV and impairment of embodied goodwill

As required by IFRS 10, the Group recognized the interest it acquired in Amiblu at fair value. The key assumptions used to determine the fair value of the interest in Amiblu are disclosed in note 2.2.

Further, management of the Group is of the opinion that the valuation of its interest in Amiblu which was conducted as at 29 August 2017 is still valid to defend the carrying amount of the interest in Amiblu including embodied goodwill as at 31 December 2017 as the valuation has recently been concluded and no significant adverse events occurred subsequent to the date of the valuation.

Revenue recognition

The Group uses the percentage-of-completion method ("POC") in accounting for its fixed-price contracts to perform contracting work. Use of POC requires the Group to estimate the total costs to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognised in the year ended 31 December 2017 would be decreased by SR 21 million.

Impairment of trade receivables

The current provision for impairment of trade receivable of SR 224.5 million relates to the Group's exposure to credit risk on trade receivables. Management estimates the impairment of trade receivables for each account balance and takes into consideration the following factors:

- The Group's possession of documentary evidence to support the existence of the balance
- The solvency of the customer

Additional information about the Group's exposure to credit risk are provided in notes 8 and 10.

6. 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 31 December 2017 and 2016 and for the year then ended, summarized by the above business segments, is as follows:

	Pipe manufacturing and technology	Water management	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000
As at and for the year ended 31 December 2017				
Sales to external customers	662,386	158,206	-	820,592
Inter-segment	85,952	-	(85,952)	-
Total revenue	748,338	158,206	(85,952)	820,592
Share of results of equity accounted investments	(10,519)	11,442	-	923
Finance costs	(97,568)	(11,378)	-	(108,946)
Depreciation and amortization	(61,080)	(1,889)	-	(62,969)
Zakat and income tax	(21,813)	(1,328)	-	(23,141)
Net loss	(28,134)	(63,412)	-	(91,546)
Equity accounted investments	342,377	74,030	-	416,407
Total assets	2,187,988	990,918	-	3,178,906
Total liabilities	(1,150,389)	(1,030,487)	-	(2,180,876)
Capital expenditures	(21,454)	-	-	(21,454)

6. SEGMENT INFORMATION (Continued)

	Pipe manufacturing and technology	Water management	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000
As at and for the year ended 31 December 2016				
Sales to external customers	1,187,369	176,645	-	1,364,014
Inter-segment	112,497	-	(112,497)	-
Total revenue	1,299,866	176,645	(112,497)	1,364,014
Share of results of equity accounted investments	(9,267)	7,426	-	(1,841)
Finance costs	(97,226)	(3,870)	-	(101,096)
Depreciation and amortization	(60,601)	(1,998)	-	(62,599)
Zakat and income tax	(37,345)	(5,120)	-	(42,465)
Net loss	(123,112)	(102,319)	-	(225,431)
Equity accounted investments	61,382	65,361	-	126,743
Total assets	2,552,684	858,578		3,411,262
Total liabilities	(1,435,294)	(965,550)		(2,400,844)
Capital expenditures	(65,053)	(2,547)		(67,600)

6. SEGMENT INFORMATION (Continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at 31 December 2017 and 2016 and for the years then ended, summarized by geographic area, as follows:

	Saudi Arabia	Europe	Other Countries	Eliminations	Total
As at and for the year ended 31 December 2017	**SR '000**	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Revenue	**728,912**	**158,206**	**19,426**	**(85,952)**	**820,592**
Non-current assets:					
- Property, plant and equipment	**483,446**	**6,491**	**10,508**	**-**	**500,445**
- Other non-current assets	**1,438,423**	**308,394**	**161,703**	**(970,289)**	**938,231**
As at and for the year ended 31 December 2016					
Revenue	1,269,310	176,645	30,556	(112,497)	1,364,014
Non-current assets:					
- Property, plant and equipment	535,065	116,890	7,089	-	659,044
- Other non-current assets	1,286,105	135,304	123,797	(848,684)	696,522

7. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the Company. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders.

The Group monitors capital using a gearing ratio, which is total liabilities to shareholders' equity. The Group's target is to keep the gearing ratio below 200% to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit banks to immediately call loans and borrowings and change agreed upon rates. The details of breaches of the financial covenants of interest-bearing loans and borrowing in the current period are disclosed in note 16.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

8. FINANCIAL INSTRUMENTS

8.1. Fair value measurements of financial instruments

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

	31 December 2017						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets							
Trade receivables (current)	-	795,519	795,519	-	-	-	-
Trade receivables (non-current)	-	463,465	463,465	-	-	-	-
	-	1,258,984	1,258,984	-	-	-	-
Financial liabilities							
Short-term borrowings	-	1,062,785	1,062,785	-	-	-	-
Long-term borrowings	-	522,852	522,852	-	-	-	-
Trade and other payables	-	504,711	504,711	-	-	-	-
Derivative financial instruments	1,506	-	1,506	-	-	1,506	1,506
	1,506	2,090,348	2,091,854	-	-	1,506	1,506

8. FINANCIAL INSTRUMENTS (Continued)

8.1. Fair value measurements of financial instruments (Continued)

31 December 2016

	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets							
Trade receivables (current)	-	946,645	946,645	-	-	-	-
Trade receivables (non-current)	-	526,868	526,868	-	-	-	-
	-	1,473,513	1,473,513	-	-	-	-
Financial liabilities							
Short-term borrowings	-	1,141,930	1,141,930	-	-	-	-
Long-term borrowings	-	629,878	629,878	-	-	-	-
Trade and other payables	-	525,294	525,294	-	-	-	-
Derivative financial instruments	2,143	-	2,143	-	-	2,143	2,143
	2,143	2,297,102	2,299,245	-	-	2,143	2,143

1 January 2016

	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets							
Trade receivables (current)	-	1,237,617	1,237,617	-	-	-	-
Trade receivables (non-current)	-	496,348	496,348	-	-	-	-
	-	1,733,965	1,733,965	-	-	-	-
Financial liabilities							
Short-term borrowings	-	1,557,384	1,557,384	-	-	-	-
Long-term borrowings	-	429,810	429,810	-	-	-	-
Trade and other payables	-	750,982	750,982	-	-	-	-
	-	2,738,176	2,738,176	-	-	-	-

8. FINANCIAL INSTRUMENTS (Continued)

8.2. Risk Management of Financial Instruments

The Group's activities expose it to credit risk, liquidity risk and market price risk.

8.2.1 Credit Risk:

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables, non-current receivables and receivables from related parties as follows.

	31 December 2017	31 December 2016	1 January 2016
	SR '000	SR '000	SR '000
Cash at Bank	119,552	116,064	138,176
Trade Receivables - current	795,519	946,645	1,237,617
Trade Receivables - non-current	463,465	526,868	496,348
Loans to equity accounted investments	40,419	25,666	37,138
	1,418,955	1,615,243	1,909,279

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivables and bank balances is limited by:

- Cash balances are held with banks with sound credit ratings.
- The receivables are shown net of allowances for impairment of trade receivables.

The Group manages credit risk with respect to receivables from customers by monitoring them in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivables balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account for approximately 21.3% of outstanding trade receivables at 31 December 2017.

8.2.2 Liquidity Risk:

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2017			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR '000	SR '000	SR '000	SR '000
Financial Liabilities				
Borrowings	1,585,637	1,265,228	320,409	-
Trade and other payables	504,711	504,711	-	-
Other non-current liabilities	14,038	-	14,038	-
Interest rate swap	1,506	-	1,506	-
	2,105,892	1,769,939	335,953	-

8. FINANCIAL INSTRUMENTS (Continued)

8.2. Risk Management of Financial Instruments (Continued)

	31 December 2016			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR '000	SR '000	SR '000	SR '000
Financial liabilities				
Borrowings	1,771,808	1,306,245	465,563	11,172
Trade and other payables	525,294	525,294	-	-
Other non-current liabilities	15,161	-	15,161	-
Interest rate swap	2,143	-	2,143	-
	2,314,406	1,831,539	482,867	11,172

	1 January 2016			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR '000	**SR '000**	**SR '000**	**SR '000**
Financial liabilities				
Borrowings	1,987,194	1,560,466	426,728	9,930
Trade and other payables	750,982	750,982	-	-
Other non-current liabilities	19,966	-	19,966	-
	2,758,142	2,311,448	446,694	9,930

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

8.2.3 Market Risk:

Market price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group uses derivatives to manage market risks exceeding acceptable parameters. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

8.2.4 Currency Risk:

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's reporting currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euro ("EUR"). The Group's management believes that the exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against Euro is monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from EUR is as follows:

8. FINANCIAL INSTRUMENTS (Continued)

8.2. Risk Management of Financial Instruments (Continued)

8.2.4 Currency Risk (Continued):

	EUR	Equivalent SR
31 December 2017	**'000'**	**'000'**
Cash and cash equivalents	**9,370**	**42,156**
Trade receivables	**40,162**	**180,701**
Trade payables	**(5,781)**	**(26,009)**
Net Statement of Financial Position exposure	**43,751**	**196,848**

	EUR	Equivalent SR
31 December 2016	**'000'**	**'000'**
Cash and cash equivalents	10,899	43,132
Trade receivables	60,808	240,641
Trade payables	(5,895)	(23,330)
Short term borrowings	(779)	(3,082)
Long term borrowings	(864)	(3,419)
Net Statement of Financial Position exposure	64,169	253,942

	EUR	Equivalent SR
1 January 2016	**'000'**	**'000'**
Cash and cash equivalents	8,364	34,059
Trade receivables	57,942	235,947
Trade payables	(12,288)	(50,036)
Short term borrowings	(1,091)	(4,442)
Long term borrowings	(622)	(2,535)
Net Statement of Financial Position exposure	52,305	212,993

A strengthening/(weakening) of the EUR by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased/(decreased) equity by the amounts shown below

	31 December 2017	31 December 2016	1 January 2016
	SR '000	SR '000	SR '000
Impact of 10% increase in EUR on equity	**19,685**	25,394	21,299
Impact of 10% decrease in EUR on equity	**(19,685)**	(25,394)	(21,299)

8. FINANCIAL INSTRUMENTS (Continued)

8.2. Risk Management of Financial Instruments (Continued)

8.2.5 Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at the reporting date amounted to SR 1,586 million (31 December 2016: SR 1,772 million, 1 January 2016: SR 1,987 million).

The following table demonstrates the sensitivity of the income to reasonably possible changes in interest rates, with all other variables held constant

	Increase / decrease in basis points of interest rates	Effect on profit for the year
		SR '000
31 December 2017	+100	(14,727)
	-100	14,727
31 December 2016	+100	(15,404)
	-100	15,404

Management monitors the changes in interest rates and utilizes interest rate swaps to manage interest rate risk exceeding certain parameters.

9. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Cash on hand	1,181	1,625	1,789
Cash at bank	89,870	86,712	132,111
Time deposits	28,501	27,727	4,276
	119,552	116,064	138,176

Time deposits are held by commercial banks and yield financial income at prevailing market rates.

10. TRADE RECEIVABLES

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Trade receivables - third parties	1,413,510	1,665,353	1,876,473
Trade receivables - related parties	69,955	54,109	50,806
	1,483,465	1,719,462	1,927,279
Less: provision for impairment	(224,481)	(245,949)	(193,314)
	1,258,984	1,473,513	1,733,965

10. TRADE RECEIVABLES (Continued)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Trade receivables include retentions receivable of SR 130 million (31 December 2016: SR 109.5 million and 1 January 2016: SR 81.7 million). Retentions receivable are also non-interest bearing and are generally collectable at the end of each project.

Trade receivables are classified into current and non-current receivables as follows:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Current receivables	**795,519**	946,645	1,237,617
Non-current receivables	**463,465**	526,868	496,348
	1,258,984	1,473,513	1,733,965

The non-current portion of trade receivables represents balances that management estimates it will collect after one year from the date of the consolidated statement of financial position. Management expects to collect the majority of these balances through legal proceedings.

The movement in the provision for impairment is as follows:

	31 December 2017	31 December 2016
	SR'000	SR'000
1 January	**245,949**	193,314
(Reversals) / additions	**(6,779)**	78,007
Deconsolidation	**(8,685)**	-
Write-offs	**(7,470)**	(24,752)
Currency translation adjustments	**1,466**	(620)
31 December	**224,481**	245,949

An aged analysis of trade receivables as at 31 December 2017 and 2016 is as follows:

		Past due but not impaired				
	Neither past due nor impaired	**< 180 days**	**181-365 days**	**366-730 days**	**> 730 days**	**Total**
	SR'000	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**
2017	**3,846**	**433,713**	**61,014**	**238,591**	**521,820**	**1,258,984**
2016	9,259	357,496	322,046	268,562	516,150	1,473,513

The Group records a provision for impairment considering various factors including age of the receivable balances, financial condition of the customers, economic conditions of the countries of domicile, etc.

As at 31 December 2017, no trade receivables were collateralized against bank borrowings (2016: SR 46.4 million).

11. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Advances to suppliers	**8,605**	17,316	10,750
Prepaid expenses	**68,061**	98,922	207,340
Others	**5,637**	3,136	-
	82,303	119,374	218,090

12. INVENTORIES

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Raw materials	**148,752**	288,709	390,022
Work in process	**255,415**	194,009	272,853
Supplies, not held for sale	**95,784**	101,121	106,894
Finished products	**241,864**	281,993	447,745
Goods in transit	**1,041**	7,781	6,373
	742,856	873,613	1,223,887

As at 31 December 2017, no inventory was pledged against the bank borrowings (2016: SR 53.6 million).

During 2017, SR 6.8 million (2016: SR 26.5 million) was recognized as an expense to write down cost of inventories to net realisable value. This is recognised in cost of revenue.

13. EQUITY ACCOUNTED INVESTMENTS

	Note	31 December 2017	31 December 2016	1 January 2016
		SR'000	SR'000	SR'000
Interests in joint ventures				
Amiblu Holding GmbH ("Amiblu")	A	274,143	-	-
International Water Distribution Co. ("Tawzea")	B	63,825	55,579	48,123
Other joint ventures	C	16,044	21,676	35,652
Total interests in joint ventures		354,012	77,255	83,775
Investments in associates:				
Amiantit Qatar Pipe Co. Ltd. ("AQAP")	D	38,617	32,454	26,326
Other associates	E	23,778	17,034	21,483
Total investment in associates		62,395	49,488	47,809
Total equity accounted investments		416,407	126,743	131,584

A. Amiblu

Amiblu is a joint venture in which the Group has joint control and a 50% ownership interest. Amiblu is registered in Austria and is not publicly listed. Amiblu and its subsidiaries ("Amiblu Group") are engaged in pipe manufacturing and related technologies and their principal place of business is the European Union. Amiblu Group has a 20% strategic investment in an associated company based in the United States of America that is also engaged in pipe manufacturing.

The following table summarizes the financial information of Amiblu Group as included in its own consolidated financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Amiblu Group.

	31 December 2017
	SR'000
Current assets, including cash and cash equivalents of SR 33.0 million	413,562
Non-current assets	409,153
Current liabilities, including bank borrowings of SR 140.9 million	(350,159)
Non current liabilities, including long term borrowings of SR 29.0 million	(70,161)
Equity	402,395
Group's share in equity, 50%	201,198
Goodwill	72,945
Group's carrying amount of the investment	274,143

13. EQUITY ACCOUNTED INVESTMENTS (Continued)

A. Amiblu (Continued)

Summarised statement of profit or loss of Amiblu Group for the period from 29 August 2017, the date of acquisition, to 31 December 2017:

	Period from 29 August 2017 to 31 December 2017
	SR'000
Revenue	541,300
Depreciation and amortization	-
Interest expense	(4,805)
Income tax expense	1,818
Profit for the period	(30,688)
Total comprehensive income	(30,688)
Group's share of total comprehensive income, 50%	(15,344)

The movement in the interest in Amiblu is as follows:	2017
	SR'000
29 August 2017	289,600
Share of profit	(15,344)
Currency translation adjustments	(113)
31 December 2017	274,143

B. Tawzea

Tawzea is a joint venture in which the Group has joint control and a 50% ownership interest. Tawzea is registered in the Kingdom Saudi Arabia and is not publicly listed. Tawzea is principally engaged in offering services related to construction, operation, and maintenance of public water & sewage services. The following table summarizes the financial information of Tawzea as included in its own financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Tawzea.

13. EQUITY ACCOUNTED INVESTMENTS (Continued)

B. Tawzea (Continued)

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Current assets, including cash and cash equivalents of SR 10.1 million (31 December 2016: SR 14.2 million and 1 January 2016: SR 10.2 million)	**44,799**	40,638	35,128
Non-current assets	**224,080**	229,525	225,799
Current liabilities, including bank borrowings of SR 22.5 million (31 December 2016: SR 28.4 million and 1 January 2016: SR 21.7 million)	**(80,460)**	(73,916)	(63,802)
Non-current liabilities, including long term borrowings of SR 56.8 million (31 December 2016: SR 83.3 million and 1 January 2016: SR 99.2 million)	**(60,768)**	(85,089)	(100,879)
Equity	**127,651**	111,158	96,246
Group's share in equity 50% (31 December 2016: 50% and 1 January 2016: 50%)	**63,825**	55,579	48,123
Group's carrying amount of the investment	**63,825**	55,579	48,123

Summarised statement of profit or loss of Tawzea for the years ended 31 December 2017 and 2016:

	2017	2016
	SR'000	SR'000
Revenue	**268,906**	230,723
Depreciation and amortization	**12,903**	12,759
Interest expense	**4,951**	4,820
Zakat expense	**-**	-
Profit for the year	**18,178**	14,912
Total comprehensive income	**18,178**	14,912
Group's share of profit-50% (2016: 50%)	**9,089**	7,456

The movement in the interest in Tawzea is as follows:

	2017	2016
	SR'000	SR'000
1 January	**55,579**	48,123
Share of profit	**9,089**	7,456
Share of other comprehensive income	**(843)**	-
31 December	**63,825**	55,579

13. EQUITY ACCOUNTED INVESTMENTS (Continued)

C. Other joint ventures

The Group also has interests in a number of individually immaterial joint ventures. The movement in the interests in these joint ventures is as follows:

	2017	2016
	SR'000	SR'000
1 January	**21,676**	35,652
Share of results	**(4,947)**	(5,681)
Impairment	-	(6,504)
Currency translation adjustments	**(685)**	(1,791)
31 December	**16,044**	21,676

Summarized financial information of these joint ventures, based on their most recent available financial information is as follows:

Name	Country of incorporation	Assets SR'000	Liabilities SR'000	Revenues SR'000	Net income (loss) SR'000	Group's ownership interest %
2017:						
Subor	**Turkey**	**302,672**	**289,907**	**371,785**	**6,394**	**50%**
Amitech Morocco	**Morocco**	**125,309**	**105,987**	**40,407**	**(16,288)**	**50%**
2016:						
Subor	Turkey	280,615	273,858	306,901	3,857	50%
Amitech Morocco	Morocco	134,514	99,401	51,705	(15,219)	50%

D. AQAP

AQAP is an associated company in which the Group owns 40% of its shares. AQAP is registered and conducts its main operations in Qatar. AQAP is not publicly listed.

The following table summarises the financial information of AQAP as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's investment in AQAP.

	31 December	
	2017	2016
	SR'000	SR'000
Current assets	**144,583**	120,715
Non-current assets	**99,335**	106,855
Current liabilities	**(132,163)**	(123,775)
Non-current liabilities	**(15,212)**	(22,660)
Equity	**96,543**	81,135
Group's share of equity (40%)	**38,617**	32,454

13. EQUITY ACCOUNTED INVESTMENTS (Continued)

D. AQAP (Continued)

	For the year ended 31 December	
	2017	2016
	SR'000	SR'000
Revenue	151,045	138,539
Profit for the year	15,406	15,319
Total comprehensive income	15,406	15,319
40% of total comprehensive income	6,163	6,128

The movement in the investment in AQAP is as follows:

	2017	2016
	SR'000	SR'000
1 January	32,454	26,326
Share of profit	6,163	6,128
31 December	38,617	32,454

E. Other associates

The Group also has investments in a number of individually immaterial associates. The movement in the investments in these associates is as follows.

	2017	2016
	SR'000	SR'000
1 January	17,034	21,483
Additions	3,302	-
Share of results	5,962	191
Dividends	(2,878)	(976)
Impairment	-	(3,431)
Currency translation adjustments	358	(233)
31 December	23,778	17,034

Summarized financial information of these associates, based on their most recent available financial information is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Net income	Group's ownership interest
		SR'000	SR'000	SR'000	SR'000	%
2017:						
Eastern Gas	KSA	94,289	18,922	49,520	7,760	13%
Amensouss	Morocco	185,291	119,663	27,599	7,461	15%
2016:						
Eastern Gas	KSA	100,125	32,518	57,511	10,186	13%
Amensouss	Morocco	215,837	151,303	28,253	5,919	15%

14. PROPERTY, PLANT AND EQUIPMENT

	1 January	Additions	Deconsolidation/ disposals	Foreign currency translation adjustments	31 December
	SR'000	SR'000	SR'000	SR'000	SR'000
2017					
Cost					
Land	209,351	-	(14,068)	1,266	**196,549**
Buildings and land improvements	401,423	4,251	(110,190)	4,440	**299,924**
Plant, machinery and equipment	1,223,263	5,548	(345,676)	6,550	**889,685**
Furniture, fixtures and office equipment	88,673	753	(37,100)	3,362	**55,688**
Construction in progress	66,263	10,902	(26,356)	107	**50,916**
	1,988,973	21,454	(533,390)	15,725	**1,492,762**
Accumulated depreciation and impairment					
Land	(150,000)	-	-	-	**(150,000)**
Buildings and land improvements	(236,939)	(12,472)	59,867	(2,077)	**(191,621)**
Plant, machinery and equipment	(879,475)	(47,983)	328,086	(9,549)	**(608,921)**
Furniture, fixtures and office equipment	(63,515)	(1,813)	26,797	(3,244)	**(41,775)**
	(1,329,929)	(62,268)	414,750	(14,870)	**(992,317)**
Net book value	659,044				**500,445**
2016					
Cost					
Land	226,949	229	(17,277)	(550)	**209,351**
Buildings and land improvements	401,944	8,782	(7,699)	(1,604)	**401,423**
Plant, machinery and equipment	1,370,168	48,185	(190,194)	(4,896)	**1,223,263**
Furniture, fixtures and office equipment	91,056	7,932	(9,231)	(1,084)	**88,673**
Construction in progress	74,345	2,472	(10,460)	(94)	**66,263**
	2,164,462	67,600	(234,861)	(8,228)	**1,988,973**
Accumulated depreciation and impairment					
Land	(150,000)	-	-	-	**(150,000)**
Buildings and land improvements	(243,487)	(9,295)	14,666	1,177	**(236,939)**
Plant, machinery and equipment	(1,018,276)	(64,186)	197,380	5,607	**(879,475)**
Furniture, fixtures and office equipment	(66,375)	(2,545)	4,668	737	**(63,515)**
	(1,478,138)	(76,026)	216,714	7,521	**(1,329,929)**
Net book value	686,324				**659,044**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- The Group performed its annual impairment test in December 2017 for its CGUs. All CGUs had significant head-room except for BSL CGU. The recoverable amount of BSL CGU of SR 14.3 million as at 31 December 2017 has been determined based on a value in use calculation using cash flow projections from a budget approved by the board covering 2018. The pre-tax discount rate applied to cash flow projections is 9.5% and cash flows beyond 2018 are extrapolated using a 1.0% growth rate. It was concluded that the fair value less costs of disposal cannot be measured reliably. As a result of this analysis, management has recognised an impairment charge of SR 5 million in the current year against property, plant and equipment with a carrying amount of SR 19.3 million as at 31 December 2017. The impairment charge is recorded within cost of sales in the consolidated statement of profit or loss.
- Certain property, plant and equipment of the Group with a net book value of SR 59.5 million (2015: 59.8 million) are constructed on land parcels leased under various operating lease agreements at nominal annual rates from the Saudi Arabian government under renewable operating leases.
- The Group owns two parcels of industrial land in Dammam since 1971. The book value of the two parcels in the Group's accounting records is SR 1.4 million. The fair value of these two parcels of land based on the most recent independent valuations made by the Group in 2016 was SR 323.4 million.
- 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 the parcel is being contested in the Saudi Arabian judicial system. The gross value of this parcel of land, before deducting any impairment provision, as at 31 December 2017 and 2016 was SR 150 million and management of the Group has made an impairment provision for the full value of the parcel at the acquisition date. The net book value of property, plant and equipment constructed over this parcel of land as at 31 December is as follows:

	2017	2016
	SR'000	SR'000
Buildings and land improvements	**30,277**	33,406
Plant, machinery and equipment	**36,604**	42,007
Furniture, fixtures and office equipment	**394**	486
	67,275	75,899

Management of the Group believes that the outcome of the litigation process will not impact the carrying amounts or useful lives of property, plant and equipment constructed over this parcel of land.

- No Property, plant and equipment at 31 December 2017 (2016: SR 59.6 million) was pledged against the bank borrowings.
- No borrowing costs were capitalized during the year ended 31 December 2017 (2016: Nil).
- Capital work in progress at 31 December 2017 mainly represents advances to suppliers for purchase of machinery and equipment.

15. OTHER NON-CURRENT ASSETS

Other non-current assets represents assets that are immaterial individually and in aggregate. The details of other non-current assets are as follows:

	Note	31 December 2017	31 December 2016	1 January 2016
		SR'000	SR'000	SR'000
Investment properties		**8,250**	8,250	8,250
Intangible assets		**9,690**	8,995	13,251
Loans to equity accounted investments	21	**40,419**	25,666	37,138
		58,359	42,911	58,639

16. BORROWINGS

16.1 SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Bank overdrafts	-	3,078	3,234
Short-term bank loans	**1,062,785**	1,138,852	1,554,150
	1,062,785	1,141,930	1,557,384

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offered rates plus a fixed margin. Management intends to roll-over the maturity of short-term loans as they mature.

The carrying values of the short-term borrowings are denominated in the following currencies:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Saudi Riyals	**1,062,785**	1,138,857	1,553,268
Euros	-	1,006	2,229
Others	-	2,067	1,887
	1,062,785	1,141,930	1,557,384

16. BORROWINGS (Continued)

16.2 LONG-TERM BORROWINGS

Long term borrowings comprise the following:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Commercial bank loans	**522,852**	620,386	419,684
Loans from a non-controlling interest	-	9,492	10,126
	522,852	629,878	429,810
Current portion shown under current liabilities	**(202,443)**	(164,315)	(3,082)
Non-current portion shown under non-current liabilities	**320,409**	465,563	426,728

Commercial bank loans:

The Group has obtained loan facilities from various commercial banks. These loans generally bear financial charges based on inter-bank offered rates plus a fixed margin. The aggregate maturities of the loans outstanding at 31 December 2017, based on their respective repayment schedules, are repayable at dates from 2018 to 2021.

Loans from a non-controlling interest:

These represent US dollars denominated loans from a non-controlling interest of a foreign subsidiary. These loans did not carry any financial charges and were payable in unequal quarterly instalments ending in 2017.

The carrying values of the long-term borrowings are denominated in the following currencies:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Saudi Riyals	**522,852**	603,341	403,083
Euros	-	3,419	2,535
Other	-	23,118	24,192
	522,852	629,878	429,810

The maturity profile of long-term borrowings is as follows:

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Years ending 31 December:			
2016	-	-	3,082
2017	-	164,315	104,089
2018	**202,443**	165,168	102,293
2019	**184,659**	165,020	102,011
2020	**130,527**	118,185	102,892
2021	**5,223**	12,408	15,443
2022	-	3,102	-
Thereafter	-	1,680	-
	522,852	629,878	429,810

16. BORROWINGS (Continued)

16.3 BREACHES OF LOAN COVENANTS

The covenants of certain of the short-term and long-term borrowing facilities require the Group to maintain a certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount, and limit the amount of annual capital expenditure and certain other requirements. The Group has breached some of the financial covenants stated in the credit facility agreements with commercial banks. The main financial covenants the Group has breached are as follows:

Covenant	Requirements
Total liabilities to tangible net worth	200% - 250%
Current ratio	100% - 125%
Minimum shareholders' equity	SR 950m - SR 1,312.5m

None of the Group's lenders exercised their rights to cancel credit facilities or accelerate repayment of future payments. Management of the Group believes that the breaches will not affect the maturity profile of its debt or the availability of credit.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2017	31 December 2016	1 January 2016
	SR'000	SR'000	SR'000
Accrued salaries, wages and benefits	**9,301**	17,008	24,046
Advances from customers	**103,675**	120,417	159,128
Accrued sales agency fees	**9,929**	17,871	16,056
Accrued financial charges	**30,790**	21,324	19,276
Other accrued expenses and other payables	**42,368**	61,848	71,780
	196,063	238,468	290,286

18. ZAKAT AND INCOME TAX

Components of zakat base:

The Company and its Saudi Arabian subsidiaries are subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted net income. Income tax is payable at the rates applicable to foreign subsidiaries. The significant components of the zakat base of each company under zakat regulations principally comprise of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the zakatable net book value of property, plant and equipment, investments and certain other items.

Zakat and income taxes charged to the consolidated statement of profit or loss for the year ended 31 December:

	2017	2016
	SR'000	SR'000
Current zakat and income tax charges	**29,783**	40,114
Adjustments in respect of zakat and income tax of previous years	**(6,642)**	2,351
	23,141	42,465

18. ZAKAT AND INCOME TAX (Continued)

The movements in the zakat and income tax payable for the years ended 31 December are as follows:

	2017	2016
	SR'000	SR'000
1 January	**94,463**	82,526
Charge for the year	**23,141**	42,465
Payments	**(12,341)**	(30,528)
31 December	105,263	94,463

Status of certificates and assessments:

The Company and the Saudi Arabian subsidiaries have received final or restricted zakat and income tax certificates for the years up to 2014. The Company has received final assessments from General Authority for Zakat and Income Tax ("GAZT") until 2009. The assessments for the years from 2010 to 2014 are yet to be raised by GAZT.

Differences between accounting profit and zakatable / taxable profit

The following items are included in accounting profit but not included in zakatable / taxable profit:

- Impairment provisions for receivables
- Write down of the cost of inventories to net realisable values
- Impairment provisions for property, plant and equipment
- Charges related to employees' terminal benefits

The following items are included in zakatable / taxable profit but not included in accounting profit:

- Receivables written off
- Inventories at net realisable value sold or written off
- Depreciation of impaired property, plant and equipment
- Payments towards employees' terminal benefits

19. EMPLOYEES' TERMINAL BENEFITS

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

	2017 SR '000	2016 SR '000
1 January	**67,019**	66,816
Expense charged to profit or loss	**11,397**	14,144
Actuarial remeasurement charged to OCI	**767**	90
Payments	**(12,574)**	(14,031)
31 December	**66,609**	67,019

The expense charged to profit or loss comprises:

	2017 SR '000	2016 SR '000
Current service cost	**8,287**	11,844
Interest cost	**3,110**	2,300
Cost recognized in profit or loss	**11,397**	14,144

Significant actuarial assumptions:

	As at 31 December	
	2017	2016
Discount factor used	4.60%	3.50%
Salary increase rate	4.70%	1.00%
Rates of employee turnover	Moderate	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2017		31 December 2016	
	%	**SR '000**	%	SR '000
Discount rate				
Increase	**+ 0.50%**	**64,724**	+ 0.25%	66,020
Decrease	**- 0.50%**	**68,602**	- 0.25%	68,046
Salary growth rate				
Increase	**+ 0.50%**	**68,575**	+ 1%	71,267
Decrease	**- 0.50%**	**64,733**	- 1%	63,157

20. WARRANTY PROVISIONS

	2017	2016
	SR'000	SR'000
1 January	19,419	13,338
(Reversals) / additions	(6,000)	7,253
Utilizations and adjustments	(5,275)	(1,438)
Foreign currency translation adjustments	231	266
31 December	8,375	19,419

21. RELATED PARTY DISCLOSURES

Note 1 provides information about the Group's structure, including details of the subsidiaries and the Company. The following table provides the total amount of material transactions that have been entered into with related parties:

		Sales to related parties	Purchases from / payments made to related parties	Amounts due from related parties*	Amounts due to related parties*
		SR'000	SR'000	SR'000	SR'000
Associates					
AFEC	**2017**	-	-	**220**	-
	2016	-	(4)	2	-
AQAP	**2017**	**11,244**	-	**14,801**	-
	2016	14,761	(12,607)	3,801	-
Amensouss	**2017**	**2,358**	-	**2,387**	-
	2016	-	-	-	-
Joint ventures					
Amiblu	**2017**	**897**	-	**7,636**	-
	2016	-	-	-	-
Amitech Morocco	**2017**	**4**	-	**15,226**	-
	2016	1,705	(93)	15,191	-
Subor	**2017**	-	**(6,056)**	**4,304**	-
	2016	-	-	10,399	-
Others	**2017**	-	-	-	-
	2016	-	-	3,768	-

* The amounts are classified as trade receivables and trade payables, respectively.

		Interest received by/ (paid to) related parties	Amounts due from/(to) related parties
		SR'000	SR'000
Loans from / to related parties			
Associates			
Amitech Morocco	**2017**	**250**	**10,138**
	2016	-	-
Others	**2017**	**(75)**	**(7,105)**
	2016	-	(9,492)
Joint ventures			
Amiblu	**2017**	**144**	**30,282**
	2016	-	-

21. RELATED PARTY DISCLOSURES (Continued)

Compensation of key management personnel of the Group

	2017	2016
	SR'000	SR'000
Short term employee benefits	5,806	5,887
Terminal benefits	8,250	8,670
Total compensation paid to key management personnel	14,056	14,557

The amounts disclosed in the table are the amounts recognised as an expense during the year for the top five executives.

22. SHARE CAPITAL

The authorized share capital of the Company comprised 115.5 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2016 and 1 January 2016: 115.5 million ordinary shares stated at SR 10 per share).

23. EMPLOYEE SHARE OWNERSHIP PLAN AND RESERVE:

The Company has implemented an Employee Share Ownership Plan ("ESOP"), which provides an award for service to certain levels of employees effective 1 January 2012. These employees, subject to their subscription to ESOP, after completing employment with the Group for a period of three years and maintaining a required level of performance, were awarded shares of the Company, at no cost, upon the vesting date during 2015. The total number of shares awarded in 2015 was 593,000 shares.

The Company has recorded expenses in 2016 amounting to Saudi Riyals 1.1 million for such options.

There was no movement in the ESOP and reserve during the years ended 31 December 2017 and 2016.

During 2012, the Company purchased 2.5 million of its own shares, through a financial institution, for the purpose of the ESOP which have been recorded under "Employees shares program and reserve" in the consolidated statement of financial position.

The ESOP and reserve represents the value of the remaining shares held by the trustee for future options to be offered to the employees of the Company. Management is currently in the process of formalizing the future option plans.

The remaining shares not awarded through the first plan as described above, and amounting to 1.9 million shares with a cost of SR 16.0 million will be assigned to a new ESOP, which is expected to be scheduled to span over the years 2018 and 2019 with related options maturing in 2019. The necessary approvals are under submission at related competent authorities.

24. INTEREST RATE SWAP CONTRACT

As at 31 December 2017, the Group had an interest rate swap ("IRS") contract with a local commercial bank in relation to loans with variable profit rates. As at 31 December 2017, the nominal amount of the IRS contract was SR 137.9 million (31 December 2016: SR 231.6 million). The fair value of the IRS contract has declined as at 31 December 2017 to SR 1.5 million (31 December 2016: a decline of SR 2.1 million).

The Group accounts for the IRS contract as an effective cash flow hedge. Accordingly, the Group recorded the decline in fair value of the IRS contract in other comprehensive income and a corresponding non-current liability was recorded in the consolidated statement of financial position.

25. SELLING, GENERAL AND ADMINISRATIVE EXPENSES

	2017	2016
	SR'000	SR'000
Salaries, wages and benefits	**45,791**	50,381
Provision for impairment of trade receivables	**-**	78,007
Professional services	**25,959**	30,294
Travelling	**3,460**	4,102
Information technology and communications	**11,875**	12,674
Depreciation and amortization	**8,353**	6,791
Repairs and maintenance	**2,168**	3,055
Others	**35,791**	36,087
	133,397	221,391

26. OTHER INCOME, NET

	2017	2016
	SR'000	SR'000
Foreign exchange differences	**(7,888)**	(2,703)
Gain from settlement of debts	**-**	16,541
Reversal of provision for impairment of trade receivables	**6,779**	-
Gain on disposal of property, plant and equipment	**72**	-
Reversal of utilities provisions	**2,165**	-
Miscellaneous income	**5,687**	6,114
	6,815	19,952

27. FINANCE COSTS

	2017	2016
	SR'000	SR'000
Interest on borrowings	**102,724**	98,796
Interest rate swap differences	**3,112**	-
Unwinding of discount on employees' terminal benefits	**3,110**	2,300
	108,946	101,096

28. DEPRECIATION, AMORTISATION, IMPAIRMENT AND FOREIGN EXCHANGE DIFFERENCES INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2017	2016
	SR'000	SR'000
Included in cost of revenue:		
Depreciation	48,932	53,395
Amortisation	663	363
Impairment	4,982	28,081
Included in selling, general and administrative expenses:		
Depreciation	8,354	6,791
Amortisation	38	30
Included in other income / (expenses):		
Net foreign exchange differences	(7,888)	(2,703)

29. EMPLOYEE BENEFITS EXPENSES

	2017	2016
	SR'000	SR'000
Included in cost of revenue:		
Wages and salaries	200,062	255,984
Social security costs	2,306	2,268
Terminal costs	5,456	7,981
Included in selling, general and administrative expenses:		
Wages and salaries	39,610	41,221
Social security costs	3,350	4,225
Terminal costs	2,831	3,863
Share-based payment expenses	-	1,072
Total employee benefits expenses	253,615	316,614

30. LOSS PER SHARE

Loss per share for the years ended 31 December 2017 and 2016 have been computed by dividing the loss from continuing operations and net loss for each year by the weighted average number of 113,564,309 shares outstanding during both years. The Company does not have any dilutive instruments.

31. DIVIDENDS

During 2017, no dividends were declared or paid (2016: the Company's General Assembly declared dividends amounting to SR 75.1 million which were subsequently paid in 2016).

32. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into operating leases on certain industrial lands with lease terms between 1 and 20 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December were as follows:

	2017	2016
	SR'000	SR'000
Within one year	173	173
After one year but not more than five years	692	692
More than five years	1,357	1,530
	2,222	2,395

Commitments for capital expenditure:

The capital expenditure contracted by the Group but not yet incurred at 31 December 2017 was approximately SR 1.8 million (31 December 2016: SR 0.8 million).

Contingencies

The Group owns a parcel of industrial land in Jeddah which it has fully impaired and 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.

Guarantees:

The Group was contingently liable for bank guarantees issued in the normal course of the business amounting SR 220.2 million as at 31 December 2017 (31 December 2016: SR 454.7 million). The Company, collectively with other shareholders of equity accounted investments, is also contingently liable for corporate guarantees amounting to SR 180.1 million at 31 December 2017 (31 December 2016: SR 184.5 million) in relation to the borrowing facilities of related joint ventures and associated companies.

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a high level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effects of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity.

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 9 Financial Instruments (Continued)

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The impact of the new approach has not been quantified yet.

(c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated as effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group performed a preliminary assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising form further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 15. Overall, the Group expects no significant impact on its consolidated statements of financial position and profit or loss.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

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

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. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group expects no significant impact on its consolidated statement of financial position and equity.

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, 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. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. This is effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements 2014-2016 Cycle (issued in December 2016)
These improvements include:

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation; or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the Interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

34. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 28 Jumada II 1439H corresponding to 16 March 2018G.