



**THE SAUDI ARABIAN AMIAANTIT COMPANY**

(A Saudi Joint Stock Company)

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017**

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

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

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2017, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and nine-month periods then ended and the statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

**Scope of review**

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

**Conclusion**


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

**Emphasis of matters**

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

- I. Note 9 to the accompanying interim condensed consolidated financial statements. As stated therein, the Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being legally challenged by third parties. As at 30 September 2017, the net book value of property, plant and equipment constructed over this parcel of land amounted to SR 71.6 million. Management of the Group believes that the outcome of the litigation process will not affect the carrying amounts or useful lives of property, plant and equipment constructed over this parcel of land nor will it result in any liabilities.
- II. Note 9 to the accompanying interim condensed consolidated financial statements. As stated therein, certain financial ratios of the accompanying interim condensed consolidated financial statements do not comply with some clauses and financial covenants stated in credit facility agreements with commercial banks. Management of the Group believes that the breach will not affect the maturity profile of its debt or the availability of credit.

**BAKER TILLY MKM & CO.**  
Certified Public Accountants

  
Ayad Obeyan Alseraihi  
License No. 405

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6 November 2017

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**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017	2016	2017	2016
	SR 000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Note 4)		(Note 4)
<b>Continuing operations:</b>				
Sale of goods	69,942	185,310	384,774	872,902
Rendering of services	62,836	99,457	174,605	244,807
<b>Total revenue</b>	<b>132,778</b>	<b>284,767</b>	<b>559,379</b>	<b>1,117,709</b>
Cost of revenue	(130,931)	(238,854)	(499,255)	(948,193)
<b>Gross profit</b>	<b>1,847</b>	<b>45,913</b>	<b>60,124</b>	<b>169,516</b>
Other (expenses) income, net	(9,595)	3,007	(3,097)	16,074
Selling and marketing expenses	(3,410)	(2,588)	(14,402)	(13,280)
General and administrative expenses	(21,440)	(46,389)	(68,554)	(115,108)
<b>Operating (loss) profit</b>	<b>(32,598)</b>	<b>(57)</b>	<b>(25,929)</b>	<b>57,202</b>
Share of result of associates and joint ventures	7,394	3,799	11,252	9,355
Finance charges	(27,479)	(26,790)	(77,485)	(72,102)
<b>Loss before zakat and foreign income tax</b>	<b>(52,683)</b>	<b>(23,048)</b>	<b>(92,162)</b>	<b>(5,545)</b>
Foreign income tax	465	(3,119)	896	(3,587)
Zakat	(3,750)	(8,750)	(18,250)	(25,250)
<b>Loss from continuing operations</b>	<b>(55,968)</b>	<b>(34,917)</b>	<b>(109,516)</b>	<b>(34,382)</b>
<b>Discontinued operations:</b>				
Profit after tax from discontinued operations (note 2.2)	61,748	6,289	55,222	7,960
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>5,780</b>	<b>(28,628)</b>	<b>(54,294)</b>	<b>(26,422)</b>
<b>Attributable to:</b>				
Shareholders of the Company	6,406	(33,584)	(53,860)	(31,239)
Non-controlling interests	(626)	4,956	(434)	4,817
	<b>5,780</b>	<b>(28,628)</b>	<b>(54,294)</b>	<b>(26,422)</b>
<b>Earnings per share</b>				
Earning per share from profit (loss) for the period attributed to the shareholders of the Company:				
Basic (SR)	0.06	(0.30)	(0.47)	(0.28)
Diluted (SR)	0.06	(0.30)	(0.47)	(0.28)
<b>Earnings per share for continuing operations</b>				
Earning per share from loss for the period from continuing operations attributed to the shareholders of the Company:				
Basic (SR)	(0.49)	(0.35)	(0.96)	(0.35)
Diluted (SR)	(0.49)	(0.35)	(0.96)	(0.35)
<b>Weighted average number of shares outstanding:</b>				
Basic ('000 shares)	113,564	113,564	113,564	113,564
Diluted ('000 shares)	113,564	113,564	113,564	113,564

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



**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017	2016	2017	2016
	SR 000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Note 4)		(Note 4)
<b>Net profit (loss) for the period</b>	<b>5,780</b>	<b>(28,628)</b>	<b>(54,294)</b>	<b>(26,422)</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations (note 2.2)	36,409	2,087	79,076	15,554
Change in the fair value of interest rate swap	150	1,256	(23)	(449)
<b>Other comprehensive income for the period, net of tax</b>	<b>36,559</b>	<b>3,343</b>	<b>79,053</b>	<b>15,105</b>
<b>Total comprehensive income (loss) for the period</b>	<b>42,339</b>	<b>(25,285)</b>	<b>24,759</b>	<b>(11,317)</b>
Attributable to:				
Shareholders of the Company	41,325	(31,389)	24,936	(20,519)
Non-controlling interests	1,014	6,104	(177)	9,202
	<b>42,339</b>	<b>(25,285)</b>	<b>24,759</b>	<b>(11,317)</b>

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT**

	30 September 2017	31 December 2016	1 January 2016
Note	SR 000 (Unaudited)	SR 000 (Note 4)	SR 000 (Note 4)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	105,303	116,064	138,176
Accounts receivable	644,955	946,645	1,237,617
Prepayments and other receivables	133,307	119,374	218,090
Inventories	734,413	873,613	1,223,887
	<u>1,617,978</u>	<u>2,055,696</u>	<u>2,817,770</u>
<b>Non-current assets</b>			
Non-current receivables	619,902	526,868	496,348
Investment in associates joint ventures	2.2 422,729	126,743	131,584
Property, plant and equipment	5 518,486	659,044	686,324
Investment properties	8,250	8,250	8,250
Intangible assets	8,001	8,995	13,251
Deferred tax assets	-	7,952	8,067
Other non-current assets	44,340	17,714	29,071
	<u>1,621,708</u>	<u>1,355,566</u>	<u>1,372,895</u>
<b>TOTAL ASSETS</b>	<u><b>3,239,686</b></u>	<u><b>3,411,262</b></u>	<u><b>4,190,665</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	1,137,681	1,141,930	1,557,384
Current maturity of long-term borrowings	192,850	164,315	3,082
Accounts payable	164,532	192,363	378,170
Accrued expenses and other liabilities	165,542	238,468	290,286
Zakat and taxes payable	99,360	94,463	82,526
	<u>1,759,965</u>	<u>1,831,539</u>	<u>2,311,448</u>
<b>Non-current liabilities</b>			
Long-term borrowings	352,637	465,563	426,728
Employees' terminal benefits	61,681	67,019	66,816
Warranty provision	15,356	19,419	13,338
Other non-current liabilities	16,307	17,304	19,966
	<u>445,981</u>	<u>569,305</u>	<u>526,848</u>
<b>Total liabilities</b>	<u><b>2,205,946</b></u>	<u><b>2,400,844</b></u>	<u><b>2,838,296</b></u>
<b>Equity</b>			
Share capital	1,155,000	1,155,000	1,155,000
Statutory reserve	189,472	189,472	189,472
(Accumulated losses) retained earnings	(180,527)	(126,667)	164,058
Employee share ownership program and reserve	(31,914)	(31,914)	(31,914)
Change in fair value of interest rate swap	(2,166)	(2,143)	-
Foreign currency translation reserve	(130,422)	(209,241)	(181,349)
<b>Equity attributable to the shareholders of the Company</b>	<u><b>999,443</b></u>	<u><b>974,507</b></u>	<u><b>1,295,267</b></u>
Non controlling interests	34,297	35,911	57,102
<b>Total equity</b>	<u><b>1,033,740</b></u>	<u><b>1,010,418</b></u>	<u><b>1,352,369</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><b>3,239,686</b></u>	<u><b>3,411,262</b></u>	<u><b>4,190,665</b></u>

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER**

	Attributable to the shareholders of the Company							Non-controlling interests SR 000	Total equity SR 000
	Share capital SR 000	Statutory reserve SR 000	(Accumulated losses) Retained earnings SR 000	Employee share ownership program and reserve SR 000	Change in fair value of interest rate swap SR 000	Foreign currency translation reserve SR 000	Total SR 000		
<b>2017:</b>									
As at 1 January 2017 (Note 4)	1,155,000	189,472	(126,667)	(31,914)	(2,143)	(209,241)	974,507	35,911	1,010,418
Loss for the period	-	-	(53,860)	-	-	-	(53,860)	(434)	(54,294)
Other comprehensive income	-	-	-	-	(23)	78,819	78,796	257	79,053
Total comprehensive income	-	-	(53,860)	-	(23)	78,819	24,936	(177)	24,759
Tax on non-controlling interests	-	-	-	-	-	-	-	(1,437)	(1,437)
As at 30 September 2017 (Unaudited)	1,155,000	189,472	(180,527)	(31,914)	(2,166)	(130,422)	999,443	34,297	1,033,740
<b>2016:</b>									
As at 1 January 2016 (Note 4)	1,155,000	189,472	164,058	(31,914)	-	(181,349)	1,295,267	57,102	1,352,369
Loss for the period	-	-	(31,239)	-	-	-	(31,239)	4,817	(26,422)
Other comprehensive income	-	-	-	-	(449)	11,169	10,720	4,385	15,105
Total comprehensive income	-	-	(31,239)	-	(449)	11,169	(20,519)	9,202	(11,317)
Additional contribution from non-controlling interests	-	-	-	-	-	-	-	3,000	3,000
Transactions with non-controlling interests	-	-	17,689	-	-	-	17,689	(33,885)	(16,196)
Dividends declared	-	-	(75,075)	-	-	-	(75,075)	-	(75,075)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(400)	(400)
As at 30 September 2016 (Unaudited)	1,155,000	189,472	75,433	(31,914)	(449)	(170,180)	1,217,362	35,019	1,252,381

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER**

	2017	2016
	SR 000	SR 000
	(Unaudited)	(Unaudited) (Note 4)
<b>OPERATING ACTIVITIES</b>		
(Loss) income for the period	(54,294)	(26,422)
Adjustments for non-cash items:		
Depreciation, amortization and impairment	43,054	68,144
Share of result of associates and joint ventures	(11,252)	(9,355)
Provisions	-	28,400
Deferred tax credits	-	(125)
Zakat and income tax charges	17,354	28,586
Gain on disposal of the Disposal Group (note 2.2)	(63,596)	-
Finance charges	77,485	74,164
	<u>8,751</u>	<u>163,392</u>
Changes in working capital:		
Accounts receivable (current and non-current)	98,792	100,134
Prepayments and other receivables	(14,993)	47,913
Inventories	81,008	199,792
Accounts payable	24,581	(159,247)
Accrued expenses and other liabilities	(26,593)	(24,347)
Warranty provision	(4,063)	1,035
Employees' terminal benefits	(5,942)	(3,239)
	<u>161,541</u>	<u>325,433</u>
Zakat and income tax paid	(13,894)	(28,129)
<b>Net cash flows from operating activities</b>	<u>147,647</u>	<u>297,304</u>
<b>INVESTING ACTIVITIES</b>		
Cash proceeds from disposal of the Disposal Group (note 2.2)	4,421	-
Dividends received from an associate	1,073	-
Purchase of property, plant and equipment	(21,181)	(60,669)
Net change in intangibles and other non-current assets	(15,834)	1,164
<b>Net cash flows used in investing activities</b>	<u>(31,521)</u>	<u>(59,505)</u>
<b>FINANCING ACTIVITIES</b>		
Movement in short-term borrowings	1,559	(281,200)
Proceeds from long-term borrowings	146,918	368,615
Repayments of long-term borrowings	(187,623)	(154,079)
Dividends paid	-	(75,075)
Other changes in non-controlling interests	-	(12,785)
Finance charges paid	(77,485)	(74,164)
Net change in other non-current liabilities	2,482	(4,029)
<b>Net cash flows used in financing activities</b>	<u>(114,149)</u>	<u>(232,717)</u>
<b>Net change in cash and cash equivalents</b>	1,977	5,082
Cash and cash equivalents at the beginning of the period	116,064	138,176
Cash and cash equivalents transferred on disposal of the Disposal Group (note 2.2)	(21,191)	-
Foreign currency translation effect on cash and cash equivalents	8,453	1,603
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>105,303</u>	<u>144,861</u>
<b>Non-cash transactions</b>		
Acquisition of 50% share in a joint venture in return for the Disposal Group (note 2.2)	<u>209,234</u>	<u>-</u>

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



**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

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

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

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

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

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

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 have been completed during 2016. The consideration paid was less than the carrying amount of non-controlling interests acquired by SR 17.7 million. This difference was recognized directly as an increase in retained earnings.

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****2. CHANGES IN THE REPORTING ENTITY (Continued)****2.2 Amiantit - Hobas merger in Europe**

On 15 December 2016, the Group publicly announced that they have signed a Memorandum of Understanding (MOU) with the Austrian holding 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 have been completed.

The Disposal Group comprises of the following entities:

Company name	Country of incorporation	Direct ownership percentage as at	
		September 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

Note: The legal formalities related to the transfer of the Group's shares in Amitech Poland Sp.z o.o. are still in progress.

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 operation is no longer presented as part of the European segment in the segment information note.

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 9 month period ended 30 September 2016 SR 000
Revenue	257,850	348,126
Expenses	(264,189)	(331,183)
Operating income	(6,339)	16,943
Finance costs	(561)	(2,063)
Other income (expense)	(1,355)	(1,809)
Profit/(loss) before tax from discontinued operations	(8,255)	13,071
Tax	(119)	(5,111)
(Loss)/profit for the period from ordinary activities	(8,374)	7,960
Gain on disposal of the Disposal Group	63,596	-
Profit after tax for the period from discontinued operations	55,222	7,960

**THE SAUDI ARABIAN AMIANTIT COMPANY**

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****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 are as follows:

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

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

	<b>For the period from 1 January 2017 to 28 August 2017 SR 000</b>	<b>For the 9 month period ended 30 September 2016 SR 000</b>
Operating	10,901	39,981
Investing	(8,782)	(10,135)
Financing	(23,633)	(25,993)
<b>Net cash (outflow)/inflow</b>	<b>(21,514)</b>	<b>3,853</b>

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:

	<b>SR 000</b>
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
<b>Gain on the deal</b>	<b>63,596</b>

The fair value of the 50% share in Amiblu was calculated by independent valuers 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%

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Joint Stock Company)

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

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**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 30 September 2017 amounting to SR 1.7 million was recorded in the statement of profit or loss under Share of result of associates and joint ventures.

**3. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016 after considering the new accounting policies disclosed in the interim condensed consolidated financial statement for the period ended 31 March 2017 and the impact of the transition to IFRS disclosed in note 4.

For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia ("SOCPA" or "local GAAP"). These interim condensed consolidated financial statements for the period ended 30 September 2017 are for an interim period of the first year for which the Group prepares its financial statements in accordance with IFRS. Refer to note 4 for information on how the Group adopted IFRS.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the period ended 30 September 2017 are consistent with those disclosed in the Group's interim condensed consolidated financial statements for the period ended 31 March 2017. Further, the Group has followed the following accounting policy which was not previously disclosed:

**3.1 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 statement of financial position.

A Disposal Group qualifies as 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 statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.



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**4. FIRST-TIME ADOPTION OF IFRS**

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

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

**Exemptions applied**

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

The Group has utilized the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the Local GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position.

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

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

**Estimates**

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

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

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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS):**

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

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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of equity as at 30 September 2016:**

				IFRS as at 30 September 2016
	Notes	Local GAAP SR 000	Remeasurements SR 000	SR 000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	A	155,208	(10,347)	144,861
Accounts receivable	A,B,E	1,932,222	(794,739)	1,137,483
Prepayments and other receivables	A,C	234,193	(64,016)	170,177
Inventories	A	1,062,869	(67,174)	995,695
		<u>3,384,492</u>	<u>(936,276)</u>	<u>2,448,216</u>
<b>Non-current assets</b>				
Non-current receivables	B,E	-	510,281	510,281
Investment in associates	A	131,955	7,104	139,059
Property, plant and equipment	A	733,017	(37,407)	695,610
Investment property	C	-	8,250	8,250
Intangible assets		8,550	-	8,550
Deferred tax assets		8,586	-	8,586
Other non-current assets	A	17,168	2,138	19,306
		<u>899,276</u>	<u>490,366</u>	<u>1,389,642</u>
<b>TOTAL ASSETS</b>		<u>4,283,768</u>	<u>(445,910)</u>	<u>3,837,858</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Short-term borrowings	A	1,322,308	(45,837)	1,276,471
Current maturity of long-term borrowings		164,727	-	164,727
Accounts payable	A	381,438	(162,515)	218,923
Accrued expenses and other liabilities	A	295,225	(31,086)	264,139
Zakat and taxes payable	A	86,538	(3,304)	83,234
		<u>2,250,236</u>	<u>(242,742)</u>	<u>2,007,494</u>
<b>Non-current liabilities</b>				
Long-term borrowings	A,D	518,965	(37,552)	481,413
Employee terminal benefits	A,D	76,593	(13,016)	63,577
Warranty provision		14,373	-	14,373
Other non-current liabilities		18,620	-	18,620
		<u>628,551</u>	<u>(50,568)</u>	<u>577,983</u>
<b>Total liabilities</b>		<u>2,878,787</u>	<u>(293,310)</u>	<u>2,585,477</u>
<b>Equity</b>				
Share capital		1,155,000	-	1,155,000
Statutory reserve		189,472	-	189,472
Retained earnings	B,E	215,706	(140,273)	75,433
Employee share ownership program and reserve		(31,914)	-	(31,914)
Change in fair value of interest rate swap		(449)	-	(449)
Foreign currency translation reserve	D	(170,180)	-	(170,180)
<b>Equity attributable to the shareholders of the Company</b>		<u>1,357,635</u>	<u>(140,273)</u>	<u>1,217,362</u>
Non controlling interests	A,D	47,346	(12,327)	35,019
<b>Total equity</b>		<u>1,404,981</u>	<u>(152,600)</u>	<u>1,252,381</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>4,283,768</u>	<u>(445,910)</u>	<u>3,837,858</u>

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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**

Group reconciliation of total comprehensive income for the nine-month period ended 30 September 2016:

		<b>Local GAAP</b>	<b>Remeasurements</b>	<b>IFRS for the</b>
	<b>Notes</b>	<b>SR 000</b>	<b>SR 000</b>	<b>period ended 30</b>
				<b>September 2016</b>
				<b>SR 000</b>
<b>Continuing operations:</b>				
Sale of goods	A	1,105,310	(232,408)	872,902
Rendering of services	A	244,807	-	244,807
<b>Total revenue</b>		<u>1,350,117</u>	<u>(232,408)</u>	<u>1,117,709</u>
Cost of revenue	A	<u>(1,141,445)</u>	<u>193,252</u>	<u>(948,193)</u>
<b>Gross profit</b>		<u>208,672</u>	<u>(39,156)</u>	<u>169,516</u>
Other expenses, net	A,E	(12,272)	28,346	16,074
Selling and marketing expenses	A	(28,765)	15,485	(13,280)
General and administrative expenses	A, F	<u>(117,323)</u>	<u>2,215</u>	<u>(115,108)</u>
<b>Operating profit</b>		<u>50,312</u>	<u>6,890</u>	<u>57,202</u>
Share of profit of associates	A	4,922	4,433	9,355
Finance charges	A	<u>(81,979)</u>	<u>9,877</u>	<u>(72,102)</u>
<b>Loss before zakat and foreign income tax</b>		<u>(26,745)</u>	<u>21,200</u>	<u>(5,545)</u>
Foreign tax	A	(3,603)	16	(3,587)
Zakat		<u>(25,250)</u>	<u>-</u>	<u>(25,250)</u>
<b>Loss from continuing operations</b>		<u>(55,598)</u>	<u>21,216</u>	<u>(34,382)</u>
<b>Discontinued operations:</b>				
Income from discontinued operations		7,960	-	7,960
<b>LOSS FOR THE PERIOD</b>		<u>(47,638)</u>	<u>21,216</u>	<u>(26,422)</u>
<b>Attributable to:</b>				
Shareholders of the Company		(56,888)	25,649	(31,239)
Non-controlling interests		<u>9,250</u>	<u>(4,433)</u>	<u>4,817</u>
		<u>(47,638)</u>	<u>21,216</u>	<u>(26,422)</u>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>				
Exchange differences on translation of foreign operations		14,128	1,426	15,554
Change in fair value of interest rate swap		<u>(449)</u>	<u>-</u>	<u>(449)</u>
<b>Other comprehensive income</b>		<u>13,679</u>	<u>1,426</u>	<u>15,105</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u>(33,959)</u>	<u>22,642</u>	<u>(11,317)</u>



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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of cash flows for the nine month period ended 30 September 2016:**

	<b>Local GAAP</b>	<b>Remeasurements</b>	<b>IFRS for the period ended 30 September 2016</b>
	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period	(47,638)	21,216	(26,422)
Adjustments for non-cash items:			
Depreciation, amortization and impairment	65,366	2,778	68,144
Share of loss of associates and joint ventures	(4,922)	(4,433)	(9,355)
Provisions	28,492	(92)	28,400
Deferred tax credits	(125)	-	(125)
Zakat and income tax charges	33,964	(5,378)	28,586
Finance charges	-	74,164	74,164
	<u>75,137</u>	<u>88,255</u>	<u>163,392</u>
Changes in working capital:			
Accounts receivable	108,831	(8,697)	100,134
Prepayments and other receivables	22,454	25,459	47,913
Inventories	184,861	14,931	199,792
Accounts payable	(149,281)	(9,966)	(159,247)
Accrued expenses and other liabilities	(25,674)	1,327	(24,347)
Warranty provision	-	1,035	1,035
Employee terminal benefits	(2,150)	(1,089)	(3,239)
	<u>214,178</u>	<u>111,255</u>	<u>325,433</u>
Zakat and income tax paid	<u>(38,566)</u>	<u>10,437</u>	<u>(28,129)</u>
<b>Net cash flows from operating activities</b>	<u><b>175,612</b></u>	<u><b>121,692</b></u>	<u><b>297,304</b></u>
<b>INVESTING ACTIVITIES</b>			
Dividends received from an associate	977	(977)	-
Purchase property, plant and equipment	(59,557)	(1,112)	(60,669)
Net change in intangibles and other non-current assets	14,145	(12,981)	1,164
<b>Net cash flows used in investing activities</b>	<u><b>(44,435)</b></u>	<u><b>(15,070)</b></u>	<u><b>(59,505)</b></u>
<b>FINANCING ACTIVITIES</b>			
Movement in short-term borrowings	(294,560)	13,360	(281,200)
Proceeds from long-term borrowings	271,075	97,540	368,615
Repayments of long-term borrowings	(34,057)	(120,022)	(154,079)
Dividends paid to non-controlling interests	(75,075)	-	(75,075)
Board of directors' remuneration paid	(1,800)	1,800	-
Other changes in non-controlling interests	(8,463)	(4,322)	(12,785)
Finance charges paid	-	(74,164)	(74,164)
Net change in other non-current liabilities	(760)	(3,269)	(4,029)
<b>Net cash flows used in financing activities</b>	<u><b>(143,640)</b></u>	<u><b>(89,077)</b></u>	<u><b>(232,717)</b></u>
			-
<b>Net change in cash and cash equivalents</b>	<u><b>(12,463)</b></u>	<u><b>17,545</b></u>	<u><b>5,082</b></u>
Cash and cash equivalents at the beginning of the period	166,501	(28,325)	138,176
Foreign currency translation effect	1,170	433	1,603
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>155,208</b></u>	<u><b>(10,347)</b></u>	<u><b>144,861</b></u>

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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of equity as at 31 December 2016:**

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

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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of total comprehensive income for the year ended 31 December 2016:**

		<b>Local GAAP</b>	<b>Remeasurements</b>	<b>IFRS for the</b>
	<b>Notes</b>	<b>SR 000</b>	<b>SR 000</b>	<b>year ended 31</b>
				<b>December 2016</b>
				<b>SR 000</b>
<b>Continuing operations:</b>				
Sale of goods	A	1,423,243	(306,901)	1,116,342
Rendering of services		247,672	-	247,672
<b>Total revenue</b>		<b>1,670,915</b>	<b>(306,901)</b>	<b>1,364,014</b>
Cost of revenue	A	(1,506,337)	255,142	(1,251,195)
<b>Gross profit</b>		<b>164,578</b>	<b>(51,759)</b>	<b>112,819</b>
Other income, net	A,E	(27,151)	39,145	11,994
Provision for doubtful debts	A	(77,804)	308	(77,496)
Selling and marketing expenses	A	(32,010)	15,260	(16,750)
General and administrative expenses	A,F	(135,409)	8,264	(127,145)
<b>Operating loss</b>		<b>(107,796)</b>	<b>11,218</b>	<b>(96,578)</b>
Share of profit of associates	A	5,729	2,365	8,094
Finance charges	A	(108,744)	7,648	(101,096)
<b>Loss before zakat and foreign income tax</b>		<b>(210,811)</b>	<b>21,231</b>	<b>(189,580)</b>
Foreign income tax	A	(2,367)	16	(2,351)
Zakat		(40,114)	-	(40,114)
<b>Loss from continuing operations</b>		<b>(253,292)</b>	<b>21,247</b>	<b>(232,045)</b>
<b>Discontinued operations:</b>				
Income from discontinued operations		7,003	-	7,003
<b>NET LOSS FOR THE PERIOD</b>		<b>(246,289)</b>	<b>21,247</b>	<b>(225,042)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>				
Exchange differences on translation of foreign operations		(27,892)	-	(27,892)
Change in the fair value of interest rate swap		(2,143)	-	(2,143)
		<b>(30,035)</b>	<b>-</b>	<b>(30,035)</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent years:</i>				
Remeasurement loss on defined benefit plans		-	(90)	(90)
<b>Other comprehensive loss</b>		<b>(30,035)</b>	<b>(90)</b>	<b>(30,125)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(276,324)</b>	<b>21,157</b>	<b>(255,167)</b>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**4. FIRST-TIME ADOPTION OF IFRS (Continued)**
**Group reconciliation of cash flows for the year ended 31 December 2016:**

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



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****4. FIRST-TIME ADOPTION OF IFRS (Continued)**

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

**A. Basis of consolidation**

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

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

	<b>1 January 2016</b>	<b>30 September</b>	<b>31 December</b>
	<b>SR 000</b>	<b>2016</b>	<b>2016</b>
	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>
<b>Assets</b>			
Current assets	250,231	281,242	245,661
Non-current assets	41,985	37,407	34,954
<b>Total assets</b>	<b>292,216</b>	<b>318,649</b>	<b>280,615</b>
<b>Liabilities and net assets</b>			
Current liabilities	(273,343)	(251,538)	(202,506)
Non-current liabilities	(13,152)	(52,903)	(71,352)
<b>Total liabilities</b>	<b>(286,495)</b>	<b>(304,441)</b>	<b>(273,858)</b>
<b>Net assets</b>	<b>5,721</b>	<b>14,208</b>	<b>6,757</b>

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

	<b>Period ended 30</b>	<b>Year ended 31</b>
	<b>September 2016</b>	<b>December 2016</b>
	<b>SR 000</b>	<b>SR 000</b>
Sales	217,472	306,901
Gross profit	37,189	51,759
Net profit for the period / year	<b>8,866</b>	<b>3,857</b>

**B. Trade and retentions receivable**

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

**C. Investment properties**

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****4. FIRST-TIME ADOPTION OF IFRS (Continued)**

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

**D. Defined benefit obligation**

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

**E. Loss on onerous contracts**

This adjustment relates to the effect of remeasuring the provision related to future losses to be recognized on certain projects with negative margins in Iraq and Turkey. Under Local GAAP, the Group used to measure such provisions using the most 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 director's remuneration as general and administrative expenses under IFRS. Under Local GAAP, the Group used to recognize such expenditure as a direct deduction from retained earnings. Accordingly, directors' remuneration for the year ended 31 December 2016 amounting to SR 1.8 million has been recognized in the consolidated statement of profit and loss.

**5. PROPERTY, PLANT AND EQUIPMENT**

The movement in property, plant and equipment during the period is as follows:

	<b>Nine month period ended 30 September 2017 SR 000</b>	<b>Year ended 31 December 2016 SR 000</b>
<b>Cost</b>		
1 January	1,838,982	2,174,523
Addition	21,181	72,817
Disposal	-	(384,884)
Deconsolidation	(364,547)	-
Foreign currency translation adjustment	(39)	(836)
	<u>1,495,577</u>	<u>1,861,620</u>
<b>Depreciation</b>		
1 January	1,179,938	1,488,199
Charge for the period/year	43,733	81,115
Disposal	-	(366,738)
Deconsolidation	(246,580)	-
	<u>977,091</u>	<u>1,202,576</u>
Net book value	<u>518,486</u>	<u>659,044</u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****6. EMPLOYEES' TERMINAL BENEFITS**

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

	<b>Period ended 30 September 2017</b>	<b>Year ended 31 December 2016</b>
	<b>SR 000</b>	<b>SR 000</b>
Balance at the beginning of the period / year	67,019	66,816
Expense charged to profit or loss	15,565	14,144
Actuarial remeasurement charged to OCI	-	90
Payments	(20,903)	(14,031)
Balance at the end of the period / year	<u>61,681</u>	<u>67,019</u>

The expense charged to profit or loss comprise of:

	<b>Period ended 30 September 2017</b>	<b>Year ended 31 December 2016</b>
	<b>SR 000</b>	<b>SR 000</b>
Current service cost	12,587	11,844
Interest cost	2,978	2,300
Cost recognized in profit or loss	<u>15,565</u>	<u>14,144</u>

**Significant actuarial assumptions****31 December  
2016**

Discount factor used	3.50%
Salary increase rate	1%
Rates of employee turnover	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

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

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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****7. SEGMENT INFORMATION**

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

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

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

	<b>Pipe manufacturing and technology</b>	<b>Water segment</b>	<b>Total</b>
	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>
<b>As at and for the nine month period ended 30 September 2017</b>			
Sales to external customers	469,547	91,289	560,836
Inter-segment	(1,539)	82	(1,457)
Total revenue	468,008	91,371	559,379
Share of result of associates and joint ventures	1,986	9,266	11,252
Finance charges	(69,406)	(8,079)	(77,485)
Depreciation and amortization	(40,860)	(1,331)	(42,191)
Zakat and income tax	(18,342)	988	(17,354)
<b>Net loss</b>	<b>(45,326)</b>	<b>(8,968)</b>	<b>(54,294)</b>
<b>Total assets</b>	<b>2,281,762</b>	<b>957,924</b>	<b>3,239,686</b>
<b>Total liabilities</b>	<b>(1,236,112)</b>	<b>(969,834)</b>	<b>(2,205,946)</b>

	<b>Pipe manufacturing and technology</b>	<b>Water segment</b>	<b>Total</b>
	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>
<b>As at and for the nine month period ended 30 September 2016</b>			
Total revenue	963,361	154,348	1,117,709
Share of result of associates and joint ventures	3,306	6,049	9,355
Finance charges	(69,187)	(2,915)	(72,102)
Depreciation and amortization	(43,374)	(1,419)	(44,793)
Zakat and income tax	(26,693)	(2,144)	(28,837)
<b>Net profit (loss)</b>	<b>26,582</b>	<b>(53,004)</b>	<b>(26,422)</b>
<b>Total assets</b>	<b>3,723,094</b>	<b>114,764</b>	<b>3,837,858</b>
<b>Total liabilities</b>	<b>2,378,168</b>	<b>207,309</b>	<b>2,585,477</b>

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

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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017****7. SEGMENT INFORMATION (Continued)****As at and for the nine month period ended 30 September 2017**

	<b>Saudi Arabia</b>	<b>Europe</b>	<b>Other Countries</b>	<b>Total</b>
	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>	<b>SR 000</b>
Revenue	<b>455,994</b>	<b>91,370</b>	<b>12,015</b>	<b>559,379</b>
Non-current assets:				
- Property, plant and equipment	<b>502,525</b>	<b>2,984</b>	<b>12,977</b>	<b>518,486</b>
- Other non-current assets	<b>402,746</b>	<b>325,012</b>	<b>375,464</b>	<b>1,103,222</b>

**As at and for the nine month period ended 30 September 2016**

Revenue	943,280	154,349	20,080	1,117,709
Non-current assets:				
- Property, plant and equipment	562,817	119,307	13,486	695,610
- Other non-current assets	317,750	193,970	182,312	694,032

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**

**8. FINANCIAL INSTRUMENTS**

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

	30 September 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
<b>Financial assets</b>							
Accounts receivable (current)	-	644,955	644,955	-	-	-	-
Accounts receivable (non-current)	-	619,902	619,902	-	-	-	-
	-	1,264,857	1,264,857	-	-	-	-
<b>Financial liabilities</b>							
Short-term borrowings	-	1,137,681	1,137,681	-	-	-	-
Long-term borrowings	-	545,487	545,487	-	-	-	-
Accounts payable	-	164,532	164,532	-	-	-	-
Derivative financial instruments	2,166	-	2,166	-	-	2,166	2,166
	2,166	1,847,700	1,849,866	-	-	2,166	2,166



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**8. 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
<b>Financial assets</b>							
Accounts receivable (current)	-	946,645	946,645	-	-	-	-
Accounts receivable (non-current)	-	526,868	526,868	-	-	-	-
	-	1,473,513	1,473,513	-	-	-	-
<b>Financial liabilities</b>							
Short-term borrowings	-	1,141,930	1,141,930	-	-	-	-
Long-term borrowings	-	629,878	629,878	-	-	-	-
Accounts payable	-	192,363	192,363	-	-	-	-
Derivative financial instruments	2,143	-	2,143	-	-	2,143	2,143
	2,143	1,964,171	1,966,314	-	-	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
<b>Financial assets</b>							
Accounts receivable (current)	-	1,237,617	1,237,617	-	-	-	-
Accounts receivable (non-current)	-	496,348	496,348	-	-	-	-
	-	1,733,965	1,733,965	-	-	-	-
<b>Financial liabilities</b>							
Short-term borrowings	-	1,557,384	1,557,384	-	-	-	-
Long-term borrowings	-	429,810	429,810	-	-	-	-
Accounts payable	-	378,170	378,170	-	-	-	-
	-	2,365,364	2,365,364	-	-	-	-

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

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**9. CONTINGENCIES AND COMMITMENTS**

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting SR 219.3 million as at 30 September 2017 (30 September 2016: SR 424.7 million. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 182.1 million at 30 September 2017 (30 September 2016: SR 199.1 million) in relation to the borrowing facilities of related associated companies.
- (ii) The capital expenditure contracted by the Group but not yet incurred till 30 September 2017 was approximately SR 2.4 million (30 September 2016: SR 15.4 million).
- (iii) The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.
- (iv) Certain financial ratios of the accompanying interim condensed consolidated financial statements do not comply with some clauses and financial covenants stated in credit facility agreements with commercial banks. Management of the Group believes that the breach will not affect the maturity profile of its debt or the availability of credit.