BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Independent auditor's report to the shareholders of Basic Chemical Industries Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Basic Chemical Industries Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Our audit approach

Overview

Key audit matter	• Adoption of International Financial Reporting Standard 9 '*Financial Instruments*' ("IFRS 9") and International Financial Reporting Standard 15 '*Revenue from Contracts with Customers*' ("IFRS 15")

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 period. 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.

Key audit matter	How our audit addressed the Key audit matter
Adoption of IFRS 9 and IFRS 15 (collectively the "new accounting standards") Effective 1 January 2018, the Group changed its accounting policies due to the mandatory application of the following accounting standards: • IFRS 9, which supersedes the requirements of International Accounting Standard 39 'Financial Instruments - Recognition and Measurement'; and • IFRS 15, which supersedes the requirements of International Accounting Standard 18 'Revenue' and certain other standards.	Our audit procedures included the following: • Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standards and the new accounting standards which can impact the Group's consolidated financial statements; • Reviewed management's assessment of the impact of new accounting standards on the Group's consolidated financial statements;

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Key audit matter	How our audit addressed the Key audit matter
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Group's consolidated financial statements relates to the calculation of the allowance for expected credit loss ("ECL") on trade receivables. The Group's management has applied a simplified ECL model to determine the ECL allowance on trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to Group's collections of trade receivables. IFRS 15 introduces a new five step model for recognition of revenue which is primarily based on the transfer of control to the customers. Management performed a detailed analysis of each type of revenue contract to identify the changes required to be made to existing accounting policies and to determine if any changes are required particularly in connection with the separation of different performance obligations that may exist within a given contract. Management also assessed the additional disclosures required to be made by the new accounting standards in the consolidated financial statements. We considered this a key audit matter due to judgements and estimated involved in the application of the new accounting standards. *Refer to Note 2.1 (c), which explains the impact of the adoption of the new accounting standards.*	• Evaluated the key decisions made by the Group with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on our understanding of the Group's business and its operations; • Tested a sample of representative revenue contracts to confirm our understanding and assess whether management's application of IFRS 15 requirements was in accordance with the accounting standard; • Compared the ECL model for trade receivables developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison with accepted best practice. We also tested the arithmetical accuracy of the model; • Involved our accounting subject matter specialists to review the methodology used in the ECL model for trade receivables; • Assessed the adequacy and appropriateness of disclosures made in the Group's consolidated financial statements in relation to adoption of the new accounting standards.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this independent auditor's 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.

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed, on the other information that we obtained prior to the date of this independent auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance 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, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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.

Those charged with governance are 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 period and are therefore the key audit matters. We describe these matters in our auditor's 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.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

24 March 2019

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Revenue	6	**605,189,925**	595,540,443
Cost of sales	7	**(450,404,912)**	(444,746,752)
Gross profit		**154,785,013**	150,793,691
Selling and distribution expenses	8	**(49,008,135)**	(46,232,915)
General and administrative expenses	9	**(29,585,319)**	(27,401,707)
Other operating income - net		**5,962,396**	9,391,340
Operating profit		**82,153,955**	86,550,409
Finance income		**725,694**	1,332,097
Share in net loss of an associate accounted for using the equity method	10	**-**	(108,264)
Impairment loss on investment in an associate accounted for using the equity method	10	**-**	(415,735)
Profit before zakat and income tax		**82,879,649**	87,358,507
Zakat expense	20	**(6,857,054)**	(8,529,256)
Income tax expense	20	**(5,503,674)**	(7,075,316)
Profit for the year		**70,518,921**	71,753,935
Other comprehensive Income			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	[illegible]	**(3,848,798)**	(2,097,539)
Total comprehensive income for the year		**66,670,123**	69,656,396
Profit for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		**49,667,629**	43,768,506
Non-controlling interests		**20,851,292**	27,985,429
		70,518,921	71,753,935
Total comprehensive income for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		**46,049,188**	41,780,086
Non-controlling interests		**20,620,935**	27,876,310
		66,670,123	69,656,396
Earnings per share (Saudi Riyals)			
Basic and diluted	23	**1.81**	1.59

The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 24 March 2019 and was signed on their behalf by:

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Board Member	**Chief Executive Officer**	**Finance Manager**

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2018	As at 31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	11	**332,486,744**	194,652,830
Current assets			
Inventories	12	**92,880,574**	101,959,279
Trade and other receivables	13	**160,325,796**	161,611,093
Short-term deposits	14	**-**	50,000,000
Cash and cash equivalents	15	**106,895,306**	172,878,753
Total current assets		**360,101,676**	486,449,125
Total assets		**692,588,420**	681,101,955
Equity and liabilities			
Equity			
Share capital	16	**275,000,000**	275,000,000
Statutory reserve	17	**58,037,541**	53,070,778
Retained earnings		**174,201,246**	160,618,821
Equity attributable to the shareholders of Basic Chemical Industries Company		**507,238,787**	488,689,599
Non-controlling interests	10	**78,500,550**	78,779,615
Total equity		**585,739,337**	567,469,214
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	**29,376,697**	24,008,227
Current liabilities			
Trade and other payables	19	**71,308,696**	76,517,812
Zakat and income tax payable	20	**6,163,690**	13,106,702
Total current liabilities		**77,472,386**	89,624,514
Total liabilities		**106,849,083**	113,632,741
Total equity and liabilities		**692,588,420**	681,101,955

The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 24 March 2019 and was signed on their behalf by:

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Board Member	**Chief Executive Officer**	**Finance Manager**

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

Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Attributable to the shareholders of Basic Chemical Industries Company					
		Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2017		275,000,000	48,693,927	150,715,586	474,409,513	78,223,305	552,632,818
Profit for the year		-	-	43,768,506	43,768,506	27,985,429	71,753,935
Other comprehensive loss for the year		-	-	(1,988,420)	(1,988,420)	(109,119)	(2,097,539)
Total comprehensive income for the year		-	-	41,780,086	41,780,086	27,876,310	69,656,396
Transfer to statutory reserve	17	-	4,376,851	(4,376,851)	-	-	-
Dividends	24	-	-	(27,500,000)	(27,500,000)	(27,320,000)	(54,820,000)
At 31 December 2017		275,000,000	53,070,778	160,618,821	488,689,599	78,779,615	567,469,214
At 1 January 2018		275,000,000	53,070,778	160,618,821	488,689,599	78,779,615	567,469,214
Profit for the year		-	-	49,667,629	49,667,629	20,851,292	**70,518,921**
Other comprehensive loss for the year		-	-	(3,618,441)	(3,618,441)	(230,357)	**(3,848,798)**
Total comprehensive income for the year		-	-	46,049,188	46,049,188	20,620,935	**66,670,123**
Transfer to statutory reserve	17	-	4,966,763	(4,966,763)	-	-	-
Dividends	24	-	-	(27,500,000)	(27,500,000)	(20,900,000)	**(48,400,000)**
At 31 December 2018		**275,000,000**	**58,037,541**	**174,201,246**	**507,238,787**	**78,500,550**	**585,739,337**

The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 24 March 2019 and was signed on their behalf by:

Khalid Al-Moammar
Board Member

Ossama Farouk
Chief Executive Officer

Ashraf Bahnacy
Finance Manager

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December	
		2018	**2017**
Cash flows from operating activities			
Profit before zakat and income tax		**82,879,649**	87,358,507
Adjustments for:			
Depreciation	11	**27,110,491**	28,101,601
Write-off of property and equipment		**63,077**	-
Gain on disposals of property and equipment		**(141,515)**	(151,936)
Share in net loss of an associate accounted for using the equity method	10	**-**	108,264
Impairment loss on investment in an associate accounted for using the equity method	10	**-**	415,735
Finance income		**(725,694)**	(1,332,097)
Provision for employee benefit obligations		**2,898,632**	3,145,121
Changes in operating assets and liabilities:			
Decrease (increase) in inventories		**9,078,705**	(17,053,780)
Decrease (increase) in trade and other receivables		**1,285,297**	(16,108,102)
(Decrease) increase in trade and other payables		**(5,209,116)**	1,661,096
Cash generated from operations		**117,239,526**	86,144,409
Finance income received on short-term deposits		**725,694**	1,332,097
Zakat and income tax paid	20	**(19,303,740)**	(13,895,193)
Employee benefit obligations paid	18	**(1,378,960)**	(3,260,396)
Net cash inflow from operating activities		**97,282,520**	70,320,917
Cash flows from investing activities			
Short-term deposits		**50,000,000**	(20,000,000)
Payments for purchases of property, plant and equipment	11	**(165,125,424)**	(50,636,602)
Proceeds from disposals of property and equipment		**259,457**	158,085
Net cash outflow from investing activities		**(114,865,967)**	(70,478,517)
Cash flows from financing activities			
Dividends paid to the Company's shareholders	24	**(27,500,000)**	(27,500,000)
Dividends paid to non-controlling interests in subsidiaries	24	**(20,900,000)**	(27,320,000)
Net cash outflow from financing activities		**(48,400,000)**	(54,820,000)
Net change in cash and cash equivalents		**(65,983,447)**	(54,977,600)
Cash and cash equivalents at beginning of the year		**172,878,753**	227,856,353
Cash and cash equivalents at end of the year		**106,895,306**	172,878,753

The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 24 March 2019 and was signed on their behalf by:

Khalid Al-Moammar	**Ossama Farouk**	**Ashraf Bahnacy**
Board Member	**Chief Executive Officer**	**Finance Manager**

The accompanying notes are an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its Saudi Arabian subsidiaries as described in Note 8. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (2 February 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

The Company is in the process of setting-up a project in Jubail for producing chlorine and its derivatives with an estimated production capacity of 70,000 tons. Also see Note 11.

The accompanying consolidated financial statements include the accounts of the Company, its branches and its various Saudi Arabian subsidiaries, operating under individual commercial registration ("CR"). Also see Note 8.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of consolidated financial statements of the Group are set out below.

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

(b) Historical cost convention

The consolidated financial statements are prepared under the historical cost convention, except for the employee benefit obligations as explained in the relevant accounting policy.

(c) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards from 1 January 2018:

i) IFRS 9 'Financial Instruments' ("IFRS 9")

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The impact of the adoption of IFRS 9 was not material and did not require retrospective adjustments. However, such adoption resulted in changes in accounting policies which are set out in Note 2.5 below.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	148,352,332	148,352,332
Cash and cash equivalents	Loans and receivables	Amortised cost	172,878,753	172,878,753
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	75,905,374	75,905,374

While cash and cash equivalents are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(All amounts in Saudi Riyals unless otherwise stated)

ii) IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15")

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. IFRS 15 replaces IAS 18 'Revenue' which covered contracts for goods and services and IAS 11 'Construction Contracts' which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The impact of the adoption of IFRS 15 was not material and did not require retrospective adjustments. However, such adoption resulted in changes in accounting policies which are set out in Note 2.14 below.

(d) Standards issued but not yet effective

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning 1 January 2019 or later periods, but have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**IFRS 16 'Leases' ("IFRS 16")**
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no material operating lease commitments. Based on management's initial assessment, the standard has no material impact on the consolidated financial statements of the Group as at the reporting date.
Date of adoption by the Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

2.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.3 Basis of consolidation and equity accounting

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group 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 Group 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, and
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights

The Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group 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 into 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 parent'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.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.5 Financial instruments

2.5.1 Financial assets - Effective 1 January 2018

(i) Classification

From 1 January 2018, the Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented under "General and administrative expenses" in the statement of profit or loss and other comprehensive income.

(iii) Impairment

From 1 January 2018, the Group assesses, on a forward looking basis, the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

2.5.2 Financial assets - accounting policies applied until 31 December 2017

(i) Classification

The Group has classified its financial assets as loans and receivables.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.5.3 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.5.4 Offsetting financial assets and liabilities

Financial assets and liabilities offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.6 Impairment

2.6.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

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

For assets 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 cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6.2 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. Refer Note 21, which details how the Group determines whether there has been a change in credit risk.

For trade receivables, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to the profit or loss.

2.7 Inventories

Raw materials and spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Notes 2.6 and 13. Subsequent recoveries of amounts previously written-off are credited profit or loss against "General and administrative expenses".

2.9 Short-term deposits

Short term deposits include placements with banks and other short-term highly liquid investments with original maturitiues of three months or more but not more than one year from the purchase date.

2.10 Cash and cash equivalents

For the purpose of consolidated statement of financial position, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Share capital

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

2.12 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13 Employee benefit obligations

The Group operates single post-employment benefit scheme which is a defined benefit plan driven by the labour laws and workman laws of the Kingdom of Saudi Arabia.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Kingdom of Saudi Arabia.

2.14 Revenue

2.14.1 Revenue from contracts with customers - Effective 1 January 2018

The Group has concluded that revenue from the sale of goods should be recognized when control of the goods is transferred to the customer, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group's contracts with customers for the sale of goods include one performance obligation i.e. to deliver goods to the customer. Revenue is recognized at a point in time upon satisfaction of such performance obligation.

2.14.2 Revenue - accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sale of goods

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

2.15 Finance income

Finance income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.17 Dividends

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

2.18 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Company and its subsidiaries, is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilites attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer who is the Chief Operating Decision Maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss. Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

2.20 Earnings per share

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

[illegible] Fair value of assets and liabilities

As at 31 December 2018 and 2017, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position.

[illegible] Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Useful life of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The management tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

Expected credit loss ("ECL") model measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 13. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(All amounts in Saudi Riyals unless otherwise stated)

Segment information

The Group's operations are principally organized into the following two (2) business segments based on its products:

- Chemicals: this part of the business manufactures and sells industrial chemicals such as hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite, polyurethane chemicals etc. used in multiple industries.

- Adhesives and other materials: this part of the business manufactures and sells ferric chloride, hot and colt melt adhesives, sulfuric acid etc. used in multiple industries.

Selected financial information as of 31 December 2018 and 2017 and for the years then ended, summarized by the above operating segments, is as follow.

2018	**Chemicals**	**Adhesives and other materials**	**Total**
Revenue	364,379,149	240,810,776	**605,189,925**
Cost of sales	(267,339,268)	(183,065,644)	**(450,404,912)**
Gross profit	97,039,881	57,745,132	**154,785,013**
Selling and distribution expenses	(29,775,717)	(19,232,418)	**(49,008,135)**
General and administrative expenses	(28,218,837)	(1,366,482)	**(29,585,319)**
Other operating income - net	5,894,184	68,212	**5,962,396**
Operating profit	44,939,511	37,214,444	**82,153,955**
Financial income	725,694	-	**725,694**
Profit before zakat and income tax	45,665,205	37,214,444	**82,879,649**
Zakat expense	(5,431,959)	(1,425,095)	**(6,857,054)**
Income tax expense	(2,659,168)	(2,844,506)	**(5,503,674)**
Profit for the year	37,574,078	32,944,843	**70,518,921**
Property, plant and equipment	296,279,118	36,207,626	**332,486,744**
Additions to property, plant and equipment	163,312,793	1,812,631	**165,125,424**
Total assets	536,456,176	156,132,244	**692,588,420**
Total liabilities	74,228,843	32,620,240	**106,849,083**

2017	**Chemicals**	**Adhesives and other materials**	**Total**
Revenue	350,173,757	245,366,686	595,540,443
Cost of sales	(262,418,109)	(182,328,643)	(444,746,752)
Gross profit	87,755,648	63,038,043	150,793,691
Selling and distribution expenses	(27,071,221)	(19,161,694)	(46,232,915)
General and administrative expenses	(25,413,264)	(1,988,443)	(27,401,707)
Other operating income - net	6,904,100	2,487,240	9,391,340
Operating profit	42,175,263	44,375,146	86,550,409
Financial income	1,332,097	-	1,332,097
Profit before zakat and income tax	43,507,360	44,375,146	87,882,506
Zakat expense	(7,141,011)	(1,388,245)	(8,529,256)
Income tax expense	(2,853,504)	(4,221,812)	(7,075,316)
Profit for the year	33,512,845	38,765,089	72,277,934
Property, plant and equipment	154,932,903	39,719,927	194,652,830
Additions to property, plant and equipment	47,971,206	2,665,396	50,636,602
Total assets	527,682,036	153,419,919	681,101,955
Total liabilities	84,766,616	28,866,125	113,632,741

(All amounts in Saudi Riyals unless otherwise stated)

Chemicals: Revenues of approximately Saudi Riyals 93.2 million (2017: Saudi Riyals 108.5 million) are derived from 3 external customers (2017: 6 external customers).

Adhesives and other materials: Revenues of approximately Saudi Riyals 83.1 million (2017: Saudi Riyals 61.6 million) are derived from 3 external customers (2017: 2 external customers).

Reconciliation of segment results with profit before zakat and income tax

	For the year ended 31 December	
	2018	**2017**
Total segment results	**82,879,649**	87,882,506
Share in net loss of an associate accounted for using the equity method	**-**	(108,264)
Impairment loss on investment in an associate accounted for using the equity method	**-**	(415,735)
Profit before zakat and income tax	**82,879,649**	87,358,507

6 Revenue

The Group principally derives revenue from the delivery of goods at a point in time as follows:

	2018	**2017**
Local sales	**465,751,160**	488,514,034
Export sales	**139,438,765**	107,026,409
	605,189,925	595,540,443

7 Cost of sales

	2018	**2017**
Cost of materials	**365,112,725**	365,608,849
Salaries and benefits	**28,382,931**	22,169,810
Depreciation	**22,576,061**	23,117,535
Power	**18,426,084**	17,035,651
Repair and maintenance	**8,817,655**	10,137,317
Other	**7,089,456**	6,677,590
	450,404,912	444,746,752

8 Selling and distribution expenses

	Note	**2018**	**2017**
Salaries and benefits		**17,791,259**	16,858,829
Transportation		**11,580,691**	10,900,893
Royalty	[illegible]	**6,842,744**	6,626,495
Depreciation		**2,558,426**	3,068,179
Repair and maintenance		**1,739,176**	1,656,791
Commission		**1,608,195**	1,870,539
Travelling		**1,393,081**	720,266
Rent		**1,271,311**	1,078,358
Insurance		**626,701**	673,156
Utilities		**362,726**	1,219,262
Other		**3,233,825**	1,560,147
		49,008,135	46,232,915

(All amounts in Saudi Riyals unless otherwise stated)

9 General and administrative expenses

	Note	2018	2017
Salaries and benefits		**15,271,114**	14,958,463
Allowance for expected credit losses	12	**3,722,757**	(110,549)
Depreciation		**1,752,355**	1,915,887
Visa and related charges		**1,680,216**	629,539
Board of directors' fees		**1,586,101**	2,880,000
Professional fees		**1,271,550**	1,777,500
Travelling		**752,426**	770,033
Repair and maintenance		**499,950**	706,461
Utilities		**496,981**	760,431
Insurance		**451,998**	461,778
Other		**2,099,871**	2,652,164
		29,585,319	27,401,707

10 Interests in other entities

(a) Investment in subsidiaries

	Country of incorporation	Effective ownership percentage 31 December 2018	Effective ownership percentage 31 December 2017	Principal activities
Basic Chemicals National Company Limited ("BCNC")	Saudi Arabia	100%	100%	Manufacture and sale of chemicals
Chemical Marketing and Distribution Company Limited ("CMDC")	Saudi Arabia	100%	100%	Wholesale and retail of chemicals
Saudi Water Treatment Company ("SWTC")	Saudi Arabia	100%	100%	Manufacture and sale of chemicals
Huntsman APC ("HAPC")	Saudi Arabia	49%	49%	Manufacture and sale of chemicals
National Adhesives Company Limited ("NAL")	Saudi Arabia	47%	47%	Manufacture and sale of chemicals

The Company has consolidated the accounts of HAPC and NAL in the accompanying consolidated financial statements as a parent company by virtue of respective shareholders' agreements. Pursuant to such agreements;

- BCI appoints its representative as Chief Executive Officer for both HAPC and NAL for managing day to day operations.
- BCI's representative(s) on the Board of Directors have the power to direct all key relevant business activities as a result of the voting arrangements under the terms of these agreements.

Accordingly, the Company has the right to exercise control through its ability to affect the amount of returns generated from these companies, its power over these companies and its exposure and right to the variable returns.

(All amounts in Saudi Riyals unless otherwise stated)

Summarised financial information for subsidiaries that have non-controlling interests i.e. NAL and HAPC is as follows:

(i) Summarised financial position

	HAPC		NAL	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Current assets	**83,085,624**	104,613,331	**106,970,513**	101,358,382
Current liabilities	**(7,093,367)**	(29,233,670)	**(24,753,106)**	(22,271,062)
Current net assets	**75,992,257**	75,379,661	**82,217,407**	79,087,320
Non-current assets	**3,423,512**	3,254,250	**10,978,634**	11,471,380
Non-current liabilities	**(574,807)**	(466,893)	**(3,451,857)**	(2,676,063)
Non-current net assets	**2,848,705**	2,787,357	**7,526,777**	8,795,317
Net assets	**78,840,962**	78,167,018	**89,744,184**	87,882,637
Accumulated NCI	**37,624,310**	38,156,832	**40,876,240**	40,622,783

(ii) Summarised statement of profit or loss and other comprehensive income

	HAPC		NAL	
	2018	**2017**	**2018**	**2017**
Revenue	**117,757,801**	147,759,584	**219,472,895**	218,185,705
Profit for the year	**15,711,592**	24,028,593	**27,259,957**	34,004,052
Other comprehensive loss (income)	**(37,648)**	(3,561)	**(398,410)**	(202,458)
Total comprehensive income	**15,673,944**	24,025,032	**26,861,547**	33,801,594
Profit allocated to NCI	**7,136,678**	11,365,901	**13,714,614**	16,619,528

(iii) Summarised statement of cash flows

	HAPC		NAL	
	2018	**2017**	**2018**	**2017**
Cash flows from operating activities	**20,874,628**	12,591,282	**31,806,207**	25,795,551
Cash flows from investing activities	**(647,808)**	(191,908)	**(1,638,056)**	(1,732,020)
Cash flows from financing activities	**(15,000,000)**	(12,000,000)	**(25,000,000)**	(40,000,000)
Net increase (decrease) in cash and cash equivalents	**5,226,820**	399,374	**5,168,151**	(15,936,469)

(All amounts in Saudi Riyals unless otherwise stated)

(b) Investment in an associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR number 56892 issued on 12 Ramadan 1433 H (July 31, 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

Movement in investment in an associate accounted for using the equity method for the years ended 31 December is as follows:

	2018	2017
1 January	-	523,999
Share in net loss for the year	-	(108,264)
Impairment write-down	-	(415,735)
31 December	-	-

During the year ended 31 December 2017, the Group recorded an impairment write-down on such investment equal to its carrying value amounting to Saudi Riyals 0.4 million. The Group has no obligation to provide any financial support to the associate beyond its investment amount. Accordingly, management has not recognized any share of loss during the current year.

Summarised financial information for the associate is provided below. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Company's share of those amounts.

Statement of financial position as of 31 December:

	31 December 2018	31 December 2017
Current assets	**127,567**	1,373,499
Current liabilities	**(140,797)**	(470,597)
Current net (liabilities) assets	**(13,230)**	902,902
Non-current assets	**1,128**	3,383
Non-current liabilities	**(88,851)**	(74,815)
Non-current net liabilities	**(87,723)**	(71,432)
Net (liabilities) assets	**(100,953)**	831,470

Statement of profit or loss and other comprehensive income for the year ended 31 December is as follows:

	2018	2017
Revenue	**611,865**	4,432,115
Loss for the year	**(414,211)**	(216,528)

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2018
(All amounts in Saudi Riyals unless otherwise stated)

11 Property, plant and equipment

	1 January	Additions	Disposals	Transfers	31 December
2018					
Cost					
Land	2,824,561	-	-	-	**2,824,561**
Buildings and leasehold improvements	99,551,184	655,236	(68,668)	1,598,853	**101,736,605**
Plant and machinery	414,867,908	4,225,889	-	299,602	**419,393,399**
Furniture, fixtures and office equipment	26,010,236	613,813	-	-	**26,624,049**
Vehicles	31,520,298	2,547,882	(1,373,242)	-	**32,694,938**
Capital work-in-progress	54,703,895	157,082,604	-	(1,898,455)	**209,888,044**
	629,478,082	165,125,424	(1,441,910)	-	**793,161,596**
Accumulated depreciation and impairment					
Buildings and leasehold improvements	(65,616,911)	(3,204,277)	5,591	-	**(68,815,597)**
Plant and machinery	(317,146,778)	(21,480,987)	-	-	**(338,627,765)**
Furniture, fixtures and office equipment	(24,300,961)	(785,982)	-	-	**(25,086,943)**
Vehicles	(27,760,602)	(1,639,245)	1,255,300	-	**(28,144,547)**
	(434,825,252)	(27,110,491)	1,260,891	-	**(460,674,852)**
Net book value	194,652,830				**332,486,744**

	1 January	Additions	Disposals	Transfers	31 December
2017					
Cost					
Land	2,824,561	-	-	-	2,824,561
Buildings and leasehold improvements	97,540,578	1,440,106	-	570,500	99,551,184
Plant and machinery	412,592,543	2,275,365	-	-	414,867,908
Furniture, fixtures and office equipment	25,338,889	671,347	-	-	26,010,236
Vehicles	31,485,698	1,135,421	(1,100,821)	-	31,520,298
Capital work-in-progress	10,160,032	45,114,363	-	(570,500)	54,703,895
	579,942,301	50,636,602	(1,100,821)	-	629,478,082
Accumulated depreciation and impairment					
Buildings and leasehold improvements	(62,496,475)	(3,120,436)	-	-	(65,616,911)
Plant and machinery	(295,471,432)	(21,675,346)	-	-	(317,146,778)
Furniture, fixtures and office equipment	(23,192,255)	(1,108,706)	-	-	(24,300,961)
Vehicles	(26,658,161)	(2,197,113)	1,094,672	-	(27,760,602)
	(407,818,323)	(28,101,601)	1,094,672	-	(434,825,252)
Net book value	172,123,978				194,652,830

(All amounts in Saudi Riyals unless otherwise stated)

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

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15 - 20
• Furniture, fixtures and office equipment	3 - 5
• Vehicles	4 - 7

Capital work-in-progress at 31 December 2018 represents costs incurred in respect of construction of administrative block at Dammam head office and plant for chlorine based products in Jubail. These are expected to be completed with total estimated cost of approximately Saudi Riyals 19.4 million (2017: Saudi Riyals 19.4 million) and Saudi Riyals 520.0 million (2017: Saudi Riyals 520.0 million) by 2019 and 2020 respectively.

As at 31 December 2018, the Group has incurred Saudi Riyals 182.3 million on the new plant representing costs incurred by the Group under different agreements entered for procurement of machinery and equipment and engineering and consulting services. The Royal Commission for Jubail and Yanbu has allocated land for such project in Jubail. The Company has also signed an agreement with a local commercial bank for credit facilities amounting to Saudi Riyals 262.0 million to partially finance this project. Such credit facilities have remained unutilized as at 31 December 2018.

Buildings and plant facilities of BCNC are constructed on plots of land leased under a renewable operating lease agreement at annual rent from the Royal Commission for Jubail and Yanbu for 25 Hijra years beginning from 17 Shaban 1422 H (November 3, 2001).

12 Inventories

	31 December 2018	**31 December 2017**
Raw materials	**37,684,381**	48,190,317
Finished products	**51,393,515**	51,143,553
Spare parts and supplies not held for sale	**16,617,301**	16,490,591
Goods-in-transit	**598,375**	198,973
Other	**892,965**	803,684
	107,186,537	116,827,118
Less: provision for inventory obsolescence	**(14,305,963)**	(14,867,839)
	92,880,574	101,959,279

Movement in provision for inventory obsolescence is as follows:

	2018	**2017**
1 January	**14,867,839**	17,648,625
Additions	**2,201,576**	902,235
Write-offs	**(2,763,452)**	(3,683,021)
31 December	**14,305,963**	14,867,839

(All amounts in Saudi Riyals unless otherwise stated)

13 Trade and other receivables

	Note	31 December 2018	31 December 2017
Trade receivables - Third parties		**150,281,548**	150,243,183
- Related parties	21(c)	**4,384,559**	11,423,221
		154,666,107	161,666,404
Less: allowance for expected credit losses		**(16,629,574)**	(13,538,615)
Net trade receivables		**138,036,533**	148,127,789
Advances to suppliers		**7,661,738**	8,598,536
Prepaid expenses		**3,705,202**	2,875,582
Due from employees		**3,854,906**	1,784,643
Others		**7,067,417**	224,543
		160,325,796	161,611,093

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.`

Management considers trade receivables as default when they are past due over 1 year. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Age analysis of trade receivables is as follows:

	Gross carrying amount - 31 December 2018	Gross carrying amount - 1 January 2018
Not due	**106,438,481**	127,929,027
0-90 days past due	**36,206,753**	23,775,132
91-180 days past due	**4,489,883**	5,024,912
181-270 days past due	**2,380,440**	1,098,203
271-365 days past due	**357,645**	537,922
Over 365 days past due	**4,792,905**	3,301,208
	154,666,107	161,666,404

(All amounts in Saudi Riyals unless otherwise stated)

The closing expected credit loss (ECL) allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018	**2017**
1 January - calculated under IAS 39	**13,538,615**	15,075,990
Amounts restated through opening retained earnings	-	-
Opening ECL allowance as at 1 January 2018 - calculated under IFRS 9	**13,538,615**	15,075,990
Net impact ECL allowance recognised in profit or loss during the year	**3,722,757**	(110,549)
Receivables written-off during the year as uncollectible	**(631,798)**	(1,426,826)
As at 31 December	**16,629,574**	13,538,615

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable.

The Group does not hold any collateral as security.

14 Short-term deposits

Short-term deposits (conventional) at 31 December 2017 were held with commercial banks and yielded financial income at prevailing market rates. The annual interest rate on short-term deposit as at 31 December 2017 was 1.6%. Total finance income on short-term deposits during the year ended 31 December 2017 amounted to Saudi Riyals 1.3 million.

15 Cash and cash equivalents

	31 December 2018	**31 December 2017**
Cash at bank	**106,719,931**	172,660,446
Cash in hand	**175,375**	218,307
	106,895,306	172,878,753

16 Share capital

The share capital of the Company as of 31 December 2018 and 2017 comprised 27,500,000 ordinary shares stated at Saudi Riyals 10.0 per share.

17 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

18 Employee benefit obligations

18.1 General description of the plan

The Group operates a defined benefit plan in line with the Labour Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December, 2018.

18.2 Movement in net liability recognized in the statement of financial position

	2018	2017
1 January	**24,008,227**	22,025,963
Current service cost	**2,162,037**	2,320,862
Interest expense	**736,595**	824,259
Remeasurements	**3,848,798**	2,097,539
Benefits paid	**(1,378,960)**	(3,260,396)
31 December	**29,376,697**	24,008,227

18.3 Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2018	2017
Current service cost	**2,162,037**	2,320,862
Interest expense	**736,595**	824,259
Total amount recognised in profit or loss	**2,898,632**	3,145,121
Remeasurements		
Gain / Loss from change in demographic assumptions	**(2,429,011)**	58,181
Gain / Loss from change in financial assumptions	**(1,665)**	996,290
Experience losses	**6,279,474**	1,043,068
Total amount recognised in other comprehensive loss	**3,848,798**	2,097,539

18.4 Key actuarial assumptions

	31 December 2018	31 December 2017
Discount rate	**4.35%**	3.0%
Salary growth rate	**4.35%**	4.0%
Retirement age	**60 years**	60 years

18.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	(1,121,759)	1,209,749
Salary growth rate	0.5%	0.5%	1,252,523	(1,172,153)

(All amounts in Saudi Riyals unless otherwise stated)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

18.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7.92 years (2017: 8.03 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2018	**4,218,197**	**6,531,412**	**4,125,964**	**15,640,219**	**30,515,792**
31 December 2017	1,064,055	7,727,872	2,798,804	8,986,090	20,576,821

19 Trade and other payables

	Note	31 December 2018	31 December 2017
Trade payables		**34,584,449**	27,412,844
Related parties	21(d)	**5,179,696**	24,213,641
Accrued expenses		**24,418,814**	19,264,182
Advances from customers		**909,290**	612,438
Others		**6,216,447**	5,014,707
		71,308,696	76,517,812

20 Zakat and income tax matters

20.1 Components of zakat base

The Company and its subsidiaries are subject to zakat and income tax. The Group files zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations principally comprises shareholders' equity, provisions at beginning of the year and adjusted net income, less deduction for the net book value of property, plant and equipment and certain other items.

20.2 Provision for zakat and income taxes

	Income tax	Zakat	Total
1 January 2018	4,287,957	8,818,745	**13,106,702**
Provisions:			
For current year	5,858,849	7,129,176	**12,988,025**
Adjustments related to prior years	(355,175)	(272,122)	**(627,297)**
Payments	(9,241,654)	(10,062,086)	**(19,303,740)**
31 December 2018	**549,977**	**5,613,713**	**6,163,690**
1 January 2017	2,308,921	9,088,402	11,397,323
Provisions:			
For current year	7,075,316	8,549,269	15,624,585
Adjustments related to prior years	-	(20,013)	(20,013)
Payments	(5,096,280)	(8,798,913)	(13,895,193)
31 December 2017	4,287,957	8,818,745	13,106,702

(All amounts in Saudi Riyals unless otherwise stated)

20.3 Numerical reconciliation of income tax expense to prima facie tax payable

	2018	2017
Profit before zakat and income taxes	**82,879,649**	87,358,507
Tax at Kingdom of Saudi Arabia tax rate of 20% (2017: 20%)	**16,575,936**	17,471,701
Less: Tax effect of amount subject to zakat	**(9,933,526)**	(8,753,701)
Add (less): Others	**(1,138,736)**	(1,642,684)
Income tax expense	**5,503,674**	7,075,316

20.4 Deferred tax

Deferred income taxed arising out of temporary differences such as expected credit loss allowance, slow-moving inventories, employee termination benefits and depreciation were not significant and, accordingly, were not recorded at 31 December 2018 and 2017.

20.5 Status of final assessments

The GAZT has finalized the zakat assessments for the Company for the years through 2002 which have been agreed by the Company.

During 2012, the GAZT issued additional assessments for the years 2003 through 2010 amounting to Saudi Riyals 10.4 million primarily due to disallowances of certain contentions related to property, plant and equipment, intercompany balances and certain other matters. The Company filed appeals against such additional assessments with the Preliminary Appeals Committee ("PAC").

During the year ended 31 December 2018, the GAZT under the directives of PAC, has issued revised additional assessments for the years 2005 to 2010, accepting BCI's positions towards treatment of property, plant and equipment for the purposes of calculating zakat base and accordingly, reduced the additional assessments for 2005 to 2010 from Saudi Riyals 9.5 million to Saudi Riyals 4.1 million. BCI further contested these revised additional assessment and the GAZT issued another revised assessment reducing the remaining additional assessments of Saudi Riyals 4.1 million to Saudi Riyals 2.2 million accepting certain contentions of the Company in relation to related party balances.

The Company has paid an amount of Saudi Riyals 1.5 million for final settlement for such additional assessments for the years from 2005 to 2010. However, the GAZT is yet to issue final zakat certificates for such years.

During the year ended 31 December 2018, the GAZT issued assessments for the Company for the years 2011 to 2015 with an additional zakat liability of Saudi Riyals 12.9 million. Upon review of such assessments, the Company's management noted that certain zakat payments amounting to Saudi Riyals 9.5 million made by the Company for such years have not been accounted for by the GAZT for the purposes of calculating the additional zakat liability. Further, the management noted that certain other disallowances made by the GAZT for such years are either same or similar to those previously made where the GAZT agreed to management's contentions and issued revised assessments

The Company has accordingly filed an appeal with the GAZT requesting them to issue revised assessment based on their contentions in such appeals and correction of material errors in respect of the payments already made and has also requested for transfer of case to PAC. The Group management strongly believes that no additional zakat liability will arise upon finalisation of the appeal.

The GAZT has issued zakat and income tax assessments related to the subsidiaries for certain years which have been agreed by the subsidiaries. Zakat and income tax assessments for certain years are currently under review by the GAZT. All subsidiaries have received the respective zakat and income tax certificates for the years through 2017.

(All amounts in Saudi Riyals unless otherwise stated)

21 Related party transactions and balance

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(a) Following are the significant transactions with the associated entities entered into by the Group:

Nature of transactions	Relationship	For the year ended 31 December 2018	2017
Sales of goods to related parties	Associated companies	**33,164,513**	30,812,759
Purchases from other related parties	Associated companies	**68,032,489**	75,936,568
Royalty charged by a related party	Associated companies	**6,842,744**	6,626,495
Payments for engineering and consulting services	Other related parties	**2,269,313**	8,400,000

(b) Key management personnel compensation:

	For the year ended 31 December 2018	2017
Salaries and other short-term employee benefits	**5,969,724**	6,344,888
Employee benefit obligations	**477,802**	469,194
	6,447,526	6,814,082

Board of directors' fee for the year ended 31 December 2018 was Saudi Riyals 1.6 million (2017: Saudi Riyals 2.9 million).

(c) Amounts due from related parties represent the following:

	31 December 2018	31 December 2017
Henkel Adhesives Limited and its affiliates	**4,384,559**	11,423,221

(d) Amounts due to related parties represent the following:

	31 December 2018	31 December 2017
Henkel Adhesives Limited and its affiliates	**4,372,976**	5,345,816
Huntsman (Saudi Investments) B.V. Netherlands	**806,720**	18,867,825
	5,179,696	24,213,641

The related party balances as at 31 December 2018 and 2017 are included in 'Trade and other receivables' and 'Trade and other payables balances' respectively. These outstanding balances are unsecured and are settled in the ordinary course of business and bear no financial charges.

22 Financial risk management

22.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks – currency / foreign currency risk, cash flow and fair value interest risk and price risk.

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States dollars (USD), United Arab Emirates dirhams (AED) and Euros. Since Saudi Riyal is pegged to USD and AED, management of the Group believes that the currency risk for the financial instruments related to USD and AED is not significant.

The Company's exposure to foreign currency risk in respect of EUR at the end of the reporting period, expressed in SAR, was as follows:

	31 December 2018	31 December 2017
Trade and other receivables	**9,757,505**	8,942,090
Trade and other payables	**4,708,006**	7,080,920

At 31 December 2018 and 2017, if the EUR to Saudi Riyal exchange rate increased/ decreased by 10%, profit for the year would have been higher/ lower by Saudi Riyals 0.9 and 0.8 million respectively.

(ii) Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. At 31 December 2018, the Group is not exposed to any fair value or cash flow interest rate risk.

The Group's receivables and payables carried at amortised cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Therefore, the Group is not exposed to fair value interest rate risk.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

(All amounts in Saudi Riyals unless otherwise stated)

b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents as well as credit exposures to customers, including outstanding amounts from related parties and committed transactions.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed local commercial banks only. Management does not expect any losses from non-performance by these counterparties.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Details of how credit risk relating to trade receivables is managed is disclosed in Note 12.

At 31 December 2018, 31% of accounts receivable were due from four customers (2017: 28% from five customers). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments.

The Group categorizes its trade receivables as due from corporates and government related entities.

Major classification of trade receivable as at 31 December was as follows:

	31 December 2018		**31 December 2017**	
	Amount	**%**	**Amount**	**%**
Corporates	**135,801,360**	**87.8**	156,732,740	97.0
Government related entities	**18,864,747**	**12.2**	4,933,664	3.0
	154,666,107	**100**	161,666,404	100

The credit quality of financial assets that are neither past due nor impaired are assessed by reference to historical information about counterparty default rates.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disaster.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial liabilities	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**
<u>As at 31 December 2018</u>			
Trade and other payables	**70,399,406**	-	-
<u>As at 31 December 2017</u>			
Trade and other payables	75,905,374	-	-

(All amounts in Saudi Riyals unless otherwise stated)

22.2 Capital risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

23 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 December	
	2018	**2017**
Profit attributable to the shareholders of Basic Chemical Industries Company	**49,667,629**	43,768,506
Weighted average number of ordinary shares for basic and diluted earnings per share	**27,500,000**	27,500,000
Basic and diluted earnings per share	**1.81**	1.59

24 Dividends

The shareholders of the Company in their general assembly meeting held on 15 May 2018 approved dividends of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 27.5 million during the year ended 31 December 2018 (2017: Saudi Riyals 27.5 million) which were fully paid during the year.

25 Contingencies and commitments

(i) The Group was contingently liable at 31 December 2018 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 9.1 million (2017: Saudi Riyals 12.1 million).

(ii) The capital expenditure contracted by the Group but not yet incurred till 31 December 2018 was approximately Saudi Riyals 36.2 million (2017: Saudi Riyals 200.2 million). Also see Note 11.

(iii) There were no material commitments in respect of operating leases as at December 31, 2018.

(iv) See Note 19 for zakat contingencies.