ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
AND INDEPENDENT AUDITORS' REPORT

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent auditor's report to the shareholders of Alujain Corporation

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 Alujain Corporation (the "Company") and its subsidiaries (together the "Group") as at December 31, 2017, 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 of Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of comprehensive income for the year then ended;
- 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.

Our audit approach

Overview

Key Audit Matters	• First time adoption of International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia. • Assessment of control over National Petrochemical Industrial Company ("Natpet") • Acquisition of controlling interest in Zain Industries Company ("Zain")

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 the 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.

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Independent auditor's report to the shareholders of Alujain Corporation (continued)

Our audit approach (continued)

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
First time adoption of International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia	
For all periods up to and including the year ended December 31, 2016, the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Group prepared its first annual consolidated financial statements for the year ended December 31, 2017 in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. In preparing the consolidated financial statements, the Group's opening statement of financial position was prepared as of January 1, 2016, which is the Group's date of transition to IFRS that are endorsed in the Kingdom of Saudi Arabia. We considered the transition from previous GAAP to IFRS, that are endorsed in the Kingdom of Saudi Arabia, as a key audit matter due to its pervasive impact on the consolidated financial statements in terms of the recognition, measurement and disclosure of the Group's financial information. Further, management, assisted by its experts, had to make estimates and exercise judgement during the transition process. Refer to Note 2 to the consolidated financial statements for basis of preparation and adoption of IFRS, Note 3 for accounting policies adopted by the Group and Note 6 for the transition adjustments and other details in connection with the transition from the previous GAAP to IFRS.	We have performed the following audit procedures in relation to the Group's transition to IFRS, that are endorsed in the Kingdom of Saudi Arabia: • Obtained an understanding of the transition differences identified by the management between the previous GAAP and IFRS, that are endorsed in the Kingdom of Saudi Arabia, and assessed their completeness and appropriateness with the assistance of our in-house IFRS transition specialists; • Assessed the competence, objectivity and independence of the management's experts involved in the IFRS transition process together with the scope of the work they were asked to undertake; • Evaluated the key decisions made by the Group with respect to accounting policies, estimates and judgements in relation to the transition to IFRS, that are endorsed in the Kingdom of Saudi Arabia, and assessed their appropriateness based on our understanding of the Group's business and its operations; • Tested the adjustments made as part of the transition process based on the differences identified; and • Evaluated the adequacy and appropriateness of the disclosures made in relation to the transition.

Independent auditor's report to the shareholders of Alujain Corporation (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Assessment of control over National Petrochemical Industrial Company ("Natpet") The Group owns a 57.4% equity interest in Natpet. Under the previous reporting framework, the Group consolidated the results of Natpet in its consolidated financial statements prepared up to and for the year ended December 31, 2016. As part of the adoption of IFRS that are endorsed in the Kingdom of Saudi Arabia, as mentioned in the previous key audit matter, the Group performed an assessment of its ability to exercise control over Natpet in accordance with IFRS 10 "Consolidated Financial Statements" ("IFRS 10") and concluded that, although the Group holds a majority equity interest in Natpet, the Group was unable to demonstrate all three elements of control required by IFRS 10 i.e. power over 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 return. As a result, the Group de-consolidated Natpet in the consolidated financial statements with effect from the IFRS transition date of January 1, 2016. We considered the assessment of control over Natpet as a key audit matter due to the level of judgement involved in evaluating the ability of the Group to demonstrate control over Natpet, and its pervasive and material impact on the consolidated financial statements affecting almost all of the consolidated financial statement line items. Refer to Note 2.2 to the consolidated financial statement for change in accounting treatment of previously recognised subsidiary, Note 5 for accounting policies for equity accounted investees and Note 6 for the transition adjustments and other details in connection with the transition from the previous GAAP to IFRS.	We performed the following procedures to determine the ability of the Group to control the investee: • Engaged our technical accounting experts to assist in reviewing management's assessment of the Group's ability to exercise control over Natpet under IFRS 10; • Substantiated the different contributing elements to the final assessment by reference to all relevant, available underlying documents including the By-laws of Natpet, legal opinions from the Group's legal counsel, minutes of the meetings of the directors and shareholders, court orders and the Group's correspondence with the Ministry of Commerce and Investment. • Evaluated the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Independent auditor's report to the shareholders of Alujain Corporation (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Acquisition of controlling interest in Zain Industries Company ("Zain") On January 1, 2017, the Group acquired additional shares in Zain for a consideration of Saudi Riyals 9.05 million, thereby increasing its ownership interest in Zain from 49.38% to 98.75%. As a result of this acquisition, the Group obtained control over Zain as at January 1, 2017 (the deemed acquisition date). Since the Group achieved control over Zain in stages, the management has accounted for the acquisition as a 'step acquisition' in accordance with IFRS 3 "Business Combinations" ("IFRS 3"). IFRS 3 allows the management to complete the fair valuation process within one year from the date of acquisition. Accordingly, management used provisional fair values of the assets acquired and liabilities assumed in the previously published condensed consolidated interim financial statements of the Group for the three-month, six-month and nine-month periods ended March 31, 2017, June 30, 2017 and September 30, 2017 respectively. A formal assessment to determine the fair value of the components of business combination was undertaken at the year end in preparing the annual consolidated financial statements of the Group which resulted in gain on the acquisition of the additional interest amounting to Saudi Riyals 15.98 million. We considered the acquisition of the controlling interest in Zain as a key audit matter as it required judgments relating to the measurement of the components of the business combination (i.e. fair value of assets acquired, liabilities assumed and consideration transferred) many of which, if incorrect, could have a material impact on the financial statements. Refer to Note 9 to the consolidated financial statements for additional details.	We performed the following audit procedures to evaluate the impact of the Group's acquisition of a controlling interest in Zain: • Evaluated the terms of the agreement entered into with the other shareholder in Zain; • Verified and corroborated the effective date of the acquisition by reference to the acquisition agreement and the dates set out in regulatory approvals; • Assessed the independence, qualifications and competence of the valuation expert engaged by management to determine fair values of the acquired assets and liabilities, together with the scope of work the expert was asked to perform; • Engaged our own in-house valuation experts to assess the assumptions used by the management expert to determine the values used in the business combination; and • Evaluated the adequacy and appropriateness of disclosures made in the consolidated financial statements related to such transaction.

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Independent auditor's report to the shareholders of Alujain Corporation (continued)

Other information

The directors are responsible for the other information. The other information comprises the other information included in the annual report of the Group (but does not include the consolidated financial statements and our independent auditor's report thereon), which is expected to be made available to us after the date of this 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.

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.

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

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 the 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.

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Independent auditor's report to the shareholders of Alujain Corporation (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (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.

Other matter

The financial statements of the Group for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion, dated February 22, 2017, on these financial statements, which were prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

March 28, 2018

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C.R. 4030289002

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Assets				
Non-current assets				
Property, plant and equipment	7	**31,966**	225	407
Intangible assets	8	**224**	-	-
Investment accounted for using equity method	9.3	**1,144,445**	1,111,328	1,011,488
Available-for-sale investments		**-**	-	89
Total non-current assets		**1,176,635**	1,111,553	1,011,984
Current assets				
Inventories	10	**4,616**	-	-
Trade and other receivables	11	**4,009**	6,403	7,105
Prepayments and other current assets	12	**31,265**	37,635	21,836
Cash and cash equivalents	13	**20,897**	12,687	7,647
Total current assets		**60,787**	56,725	36,588
Total assets		**1,237,422**	1,168,278	1,048,572
Equity and liabilities				
Equity				
Share capital	14	**692,000**	692,000	692,000
Statutory reserve	15	**75,524**	61,904	50,631
Retained earnings		**455,753**	404,915	300,608
Cash flow hedge reserve	9.3	**(995)**	509	(4,987)
Available-for-sale reserve	9.3	**(5,381)**	-	-
Equity attributable to the shareholders of Alujain Corporation (Parent Company)		**1,216,901**	1,159,328	1,038,252
Non-controlling interests		**413**	-	-
Total equity		**1,217,314**	1,159,328	1,038,252
Non-current liabilities				
Employees defined benefit obligations	16	**4,628**	4,831	4,960
Total non-current liabilities		**4,628**	4,831	4,960
Current liabilities				
Trade and other payables	17	**10,750**	304	351
Accrued and other current liabilities	18	**2,973**	2,032	3,765
Zakat payable	19	**1,757**	1,783	1,244
Total current liabilities		**15,480**	4,119	5,360
Total liabilities		**20,108**	8,950	10,320
Total equity and liabilities		**1,237,422**	1,168,278	1,048,572
Contingencies and commitments	31			

The consolidated financial statements including notes and other explanatory information were approved and authorized for issue by the Board of Directors (BoD) on March 26, 2018 and was signed on their behalf by

Abdullah Bin Owdah Alenazi
BoD and CEO

Saleem Akhtar
CFO

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2017	2016
Revenues		**28,322**	-
Cost of sales	20	**(20,998)**	-
Gross profit		**7,324**	-
Share in net income of an equity accounted investees	9.3	**133,326**	124,817
Selling and marketing expenses	21	**(3,466)**	-
General and administration expenses	22	**(16,230)**	(10,135)
Income from operations		**120,954**	114,682
Finance income – murabaha deposits		**580**	2,100
Gain on acquisition of a subsidiary	9.3	**15,977**	-
Impairment of available-for-sale investments		**-**	(89)
Income before zakat		**137,511**	116,693
Zakat expense	19	**(1,331)**	(1,349)
Income for the year		**136,180**	115,344
Attributable to:			
Shareholders of the Parent Company		**136,198**	115,344
Non-controlling interests	9.2	**(18)**	-
		136,180	115,344
Earnings per share attributable to equity holders of the Company:			
Basic and diluted earnings per share	23	**1.97**	1.67

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2017	2016
Income for the year		**136,180**	115,344
Other comprehensive income			
Items that may be reclassified to statement of income:			
Share in other comprehensive (loss) income of equity accounted investees			
Changes in the fair value of cash flow hedges	9.3	**(1,504)**	5,496
Changes in the fair value of available-for-sale investment	9.3	**(5,381)**	-
		(6,885)	5,496
Items that will not be reclassified to statement of income:			
Re-measurement of retirement benefit obligation	16	**(467)**	-
Share in other comprehensive (loss) income of equity accounted investees	9.3	**(2,073)**	236
		(2,540)	236
Comprehensive income for the year		**126,755**	121,076
Attributable to:			
Equity holders of the Parent Company		**126,773**	121,076
Non-controlling interests	9.2	**(18)**	-
		126,755	121,076

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Attributable to the shareholders of Alujain Corporation							
	Note	Share capital	Statutory reserve	Retained earnings	Cash flow hedge reserve	Available-for-sale reserve	Total	Non-controlling interest	Total
As at January 1, 2016		692,000	50,631	300,608	(4,987)	-	1,038,252	-	**1,038,252**
Income for the year		-	-	115,344	-	-	115,344	-	**115,344**
Other comprehensive income for the year		-	-	236	5,496	-	5,732	-	**5,732**
Comprehensive income for the year		-	-	115,580	5,496	-	121,076	-	**121,076**
Transfer to statutory reserve		-	11,273	(11,273)	-	-	-	-	**-**
As at December 31, 2016		692,000	61,904	404,915	509	-	1,159,328	-	**1,159,328**
As at January 1, 2017		692,000	61,904	404,915	509	-	1,159,328	-	**1,159,328**
Non-controlling interest acquired	9.2	-	-	-	-	-	-	431	**431**
Income for the year		-	-	136,198	-	-	136,198	(18)	**136,180**
Other comprehensive loss for the year		-	-	(2,540)	(1,504)	(5,381)	(9,425)	-	**(9,425)**
Comprehensive income (loss) for the year		-	-	133,658	(1,504)	(5,381)	126,773	(18)	**126,755**
Transfer to statutory reserve		-	13,620	(13,620)	-	-	-	-	**-**
Dividend	29	-	-	(69,200)	-	-	(69,200)	-	**(69,200)**
As at December 31, 2017		692,000	75,524	455,753	(995)	(5,381)	1,216,901	413	**1,217,314**

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2017	2016
Cash flow from operating activities			
Income before zakat		**137,511**	116,693
Adjustments for:			
Gain on acquisition of a subsidiary		**(7,987)**	**-**
Reversal of impairment of investment in a joint venture	9.3	**(7,990)**	
Depreciation for property, plant and equipment	7	**3,189**	187
Employee defined benefit expenses	16	**1,044**	785
Share in net income of equity accounted investees	9.3	**(133,326)**	(124,817)
Impairment of available for sale investment		**-**	89
Property, plant and equipment written-off		**4**	-
Provision for inventory obsolescence	10	**100**	-
Provision for doubtful receivables	11	**510**	-
Reversal of provision for doubtful receivable		**(5,167)**	-
Working capital adjustments:			
Inventories		**(812)**	-
Trade and others receivables		**4,374**	725
Prepayments and other current assets		**(1,627)**	(6,770)
Trade and other payables		**(5,344)**	(47)
Accrued and other current liabilities		**639**	(1,733)
Net cash outflows from operations		**(14,882)**	(14,888)
Employees defined benefits paid	16	**(2,155)**	(914)
Zakat paid	19	**(1,940)**	(810)
Net cash outflows from operating activities		**(18,977)**	(16,612)
Cash flow from investing activities			
Advance paid towards acquisition of Zain Industries Limited		**-**	(9,052)
Addition to property, plant and equipment		**(973)**	(5)
Cash acquired on acquisition of a subsidiary	9	**14,136**	-
Dividends received from equity accounted investee	9	**82,196**	30,709
Net cash inflows from investing activities		**95,359**	21,652
Cash flow from a financing activity			
Dividend paid to share holders	29	**(68,172)**	-
Cash outflow from a financing activity		**(68,172)**	-
Net change in cash and cash equivalents		**8,210**	5,040
Cash and cash equivalents at the beginning of the year		**12,687**	7,647
Cash and cash equivalents at the end of the year		**20,897**	12,687
Non-cash transactions	30		

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

1 General information

Alujain Corporation ("the Company" or "the Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated 15 Jamad Thani 1412H, corresponding to December 23, 1991. The Company obtained its Commercial Registration No. 4030084538 on Rajab 3, 1412H, corresponding to January 7, 1992. The Parent Company is listed on the Saudi Stock Exchange.

The objectives of the Parent Company are to promote and invest in metal and petrochemical industries and other industrial projects.

The head office of the Parent Company is located in Jeddah and no branches are registered under the Company's commercial registration.

The consolidated financial statements comprise the financial information of the Parent Company and its subsidiaries (the "Group") as at December 31, 2017. (see note 9.1)

2 Basis of preparation

2.1 Statement of compliance

These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS 1 'First-time Adoption of International Financial Reporting Standards ("IFRS 1"), that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA"), as well as other standards and pronouncements issued by SOCPA. For all periods up to and including the year ended December 31, 2016, the Group prepared its consolidated financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP").

In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared as at January 1, 2016, the Group's date of transition to IFRS. Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of income, comprehensive income, changes in equity and cash flows of the Group are provided in Note 6. As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after the date of transition (January 1, 2016).

The Capital Market Authority (CMA) announced on October 16, 2016 that it obligates the listed entities to apply the cost model to measure the property, plant and equipment, investment properties and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date. The Company has complied with the requirements in the accompanying consolidated financial statements.

a) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Available For Sale ("AFS") investment, financial assets and liabilities that have been measured at fair value
- Employees defined benefit liabilities, determined using actuarial present value calculations based on project unit credit method.

b) Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional currency, and all values are rounded to the nearest thousand Saudi Riyals, except where otherwise indicated.

c) Income and cash flow statements

The Group has elected to present consolidated statements of income and other comprehensive income separately and presents its expenses by function.

The Group reports consolidated cash flows from operating activities using the indirect method.

2.2 Change in accounting treatment of previously recognised subsidiary from previously published consolidated financial statements on adoption of IFRS 1

The Parent Company owns 57.4% equity interest in National Petrochemical Industrial Company ("Natpet"). For all the periods upto and including the year ended December 31, 2016, the Group assessed its ability to control Natpet in accordance with the requirements of the previous GAAP. Based on such assessment, Natpet was consolidated in all the financial statements of the Group prepared in accordance with previous GAAP. The Group continued to consolidate Natpet in the condensed consolidated interim financial information prepared and published for the periods ended March 31, 2017 and June 30, 2017 after adoption of IFRS that are endorsed in the KSA.

2.2 Change in accounting treatment of previously recognised subsidiary from previously published consolidated financial statements on adoption of IFRS 1 (continued)

Due to certain circumstances and events that occurred in June 2017 and whilst the Group was in the IFRS transition period, the Group performed a re-assessment of the Group's power to exercise control over the relevant activities of Natpet, as per the guidance given in IFRS 10 "consolidated financial statements". The Group concluded that it never had control over Natpet under IFRS that are endorsed in the KSA. Consequently, the Group adopted to account for its investment in Natpet under equity method on the basis that it possesses significant influence but not control over Natpet.

In preparing these consolidated financial statements for the year ended December 31, 2017, the Group has de-consolidated Natpet's results with effect from the IFRS transition date (January 1, 2016) and recognised the investee using the equity method following the requirements of IFRS 1 and International Accounting Standard 28 ("IAS 28") "investment in associates and joint ventures". Under the equity method, investment in Natpet has been recognized at initial cost thereafter adjusted to recognize Group's share of results and other comprehensive income of the investee upto IFRS transition date. Also see accounting policy of "Investments in equity accounted investees" in Note 5.

3 Significant accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3.1 Key sources of estimation uncertainty

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

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include possible restructuring activities that the Group may commit to or significant future investments that may enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.1.2 Fair value of assets and liabilities acquired in a business combination

The Group makes judgements and estimates in relation to the fair value determination of the assets and liabilities acquired in a business combination. In making such judgements, the Group applied the replacement cost model in determining the fair value of the non-financial assets as permitted by IFRS 13 "Fair value measurement" ("IFRS 13").

The accounting of business combination requires recognizing the excess of purchase consideration over the fair value of the identifiable assets and liabilities of the acquired entity on the date of acquisition. Where the purchase consideration exceeds such fair value, it is recognised as goodwill and if such fair value exceeds the purchase consideration, it is recognised as gain on acquisition in the consolidated statement of income.

3 Significant accounting estimates, assumptions and judgments (continued)

3.2 Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

3.3 Critical judgments in applying accounting standards

The Group measures its investments as subsidiaries where the Group exercises control. 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. Generally, holding majority equity instruments that give the Group proportionate voting rights, such as an ordinary share in an investee, in the absence of other factors, establishes controls over the investee. As mentioned in Note 9.3, although the Group holds 57.4% equity interest in Natpet, the Group is unable to demonstrate power to control relevant activities of Natpet as per the requirements of IFRS 10. Consequently, the Group accounts for the investment in Natpet under the equity method on the basis that it possesses significant influence but not control over Natpet.

The Group performs continuous assessment at the end of each reporting period to determine whether the criteria of control is met.

4 Standards issued but not yet effective

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

Standard/ Interpretation	*Description*	*Effective from periods beginning on or after the following date*
Amendments to IFRS 2, 'Share based payments'	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	January 1, 2018
IFRS 9 'Financial instruments'	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	January 1, 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Standards issued but not yet effective (continued)

Standard/ Interpretation	**Description**	**Effective from periods beginning on or after the following date**
IFRS 15 'Revenue from contracts with customers	The IASB has issued a new standard for the recognition of revenue. This will replace International Accounting Standard ("IAS") 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted
IFRS 16 'Leases'	This standard replaces the current guidance in International Accounting Standards (IAS) 17 and is a far-reaching change in accounting by lessees in particular. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	January 1, 2019, earlier application permitted if IFRS 15, is also applied
Annual improvements 2014–2016	These amendments impact the following standards: • IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. • IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.	January 1, 2018
Amendment to IAS 28 'Investments in associates and joint ventures'	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.	January 1, 2019
IFRIC 22,' Foreign currency transactions and advance consideration	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.	January 1, 2018
IFRIC 23, 'Uncertainty over income tax treatments	This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.	January 1, 2019

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

4 Standards issued but not yet effective (continued)

As per its initial assessment, the following are the possible implications related to the standards, which are effective for annual periods beginning on or after January 1, 2018

Financial instruments - "IFRS 9"

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard replaces the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The current and prospective classification and measurement of financial assets and financial liabilities is as follows:

	IAS 39 (Current presentation)		IFRS 9	
	Classification	**Measurement**	**Classification**	**Measurement**
Financial assets				
Trade and other receivables Cash and cash equivalent	Loans and receivables	Amortized cost	At amortized cost	Amortized cost
Financial liabilities				
Trade and other payables	Other financial liabilities at amortized cost	Amortized cost	At amortized cost	Amortized cost

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors effects ECLs, which will be determined on a probability-weighted basis. The Group's management has assessed that adoption of IFRS 9 will not have a material impact on its impairment assessment.

Revenue from contracts with customers "IFRS 15"

IFRS 15 will not significantly impact the Group's revenue recognition policy as the Group's existing policy meets the requirements of the new standard, as the Group records its revenues at a point in time when control is transferred on inventories sold and upon completion of promises in sales orders with customers.

The Group is currently assessing the implications of adopting the other standards and interpretations on the Group's consolidated financial statements on adoption.

5 Summary of significant accounting polices

Basis for consolidation

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
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights results 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

5 Summary of significant accounting polices (continued)

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 off 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.

Income and each component of other comprehensive income are attributed to the equity holders of the part 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 information of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised the in consolidated statement of income. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquired business. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administration expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial information, provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed one year from the acquisition date.

5 Summary of significant accounting polices (continued)

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

Investments accounted for using equity method

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted using the equity method.

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

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

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolation statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in the consolidated statement of other comprehensive income or consolidated statement of income, respectively).

5 Summary of significant accounting polices (continued)

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The policies and procedures for both recurring fair value measurement and for non-recurring measurement are evaluated periodically.

5 Summary of significant accounting polices (continued)

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

Cash dividend to equity holders

The Group recognises a liability to make cash distribution to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the regulations for companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
• Leasehold improvements	3 – 10
• Buildings	30
• Plant and equipment	30
• Furniture and fixtures	5 - 10
• Office equipment	5 - 10
• Vehicles	4

Assets under construction which are not ready for its intended use are not depreciated.

When a major inspection (turnaround/shutdown, planned or unplanned) is performed, its directly met attributable cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are met. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is recognized in the consolidation statement of income immediately.

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred.

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

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

5 Summary of significant accounting polices (continued)

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

Research costs are expensed as incurred.

Group's intangible are being amortised over a period of 5 years.

The Group does not possess any indefinite intangible assets

Leases

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

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

The Group has not entered into any agreement for finance lease.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or cash generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses, if any, no longer exist or have decreased. If such indication exists, the Group estimates the asset 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 the consolidated statement of income.

Financial instruments – initial recognition and subsequent measurement

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

5 Summary of significant accounting polices (continued)

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments (HTM), available for sale (AFS) investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through income statement, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit and loss account (FVPL) where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through income statement
- Loans and receivables
- Held-to-maturity investments
- AFS investments

Loans and receivables

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

This category generally applies to trade and other receivables.

AFS investments

AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited to the AFS reserve until the investment is derecognised as cumulative gain or loss is recognised as other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in financial charges. Finance income earned whilst holding AFS investments is reported as Finance income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS investments in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

5 Summary of significant accounting polices (continued)

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR and charged to the consolidated statement of income. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

AFS investments

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through income statement; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

5 Summary of significant accounting polices (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through income statement, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through income statement

Financial liabilities at fair value through income statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through income statement are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through income statement.

Financial charges include cost' of funding on loans accounted as financial liabilities. Such cost of funding may include distributions to the lenders in proportionate to the dividend distributed to the equity holders.

Derecognition

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

Offsetting of financial instruments

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

Inventories

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

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

- Raw materials: weighted average method
- Packaging and label: weighted average method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

5 Summary of significant accounting polices (continued)

Consumables spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of plant and equipment which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Group maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalised as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.

- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalised as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.

- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

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. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using EIR, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to the consolidated statement of income against "General and administrative expenses".

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and 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.

Provisions

General

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

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

5 Summary of significant accounting polices (continued)

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The net liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur as other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

Valuations of the obligations under these plans 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 recognised immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the consolidated statement of other comprehensive income.

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor and Workmen law as well as Group policy. The end of service payments are based on employees' final services and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

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 payables 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 EIR.

Earnings per share

Basic earnings per share is calculated by dividing:

- the income attributable to equity holders 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 year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

5 Summary of significant accounting polices (continued)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- by the weighted average number of ordinary shares outstanding during the financial year, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Expenses

Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs.

Selling and marketing expenses

These include any costs incurred to carry out or facilitate selling activities of the Group.

General and administration expenses

These pertain to operational expenses which are not directly related to the production of any goods or services.

Allocation of overheads between cost of sales, selling and marketing expenses, and general and administration expenses, where required, is made on a consistent basis.

Zakat and income taxes

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, is calculated based on higher of approximate zakat base and adjusted profit and charged to the consolidated statement of income. Additional amounts, if any, are accounted for when determined to be required for payment.

Statutory reserve

In accordance with the Parent Company’s By-laws, the Parent Company must set aside 10% of its annual net income as a statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution.

5 Summary of significant accounting polices (continued)

Segment reporting

An operating segment is a group of assets, operations or entities:

(i) Engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
(ii) The results of its operations are continuously analyzed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
(iii) For which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6 First-time adoption of IFRS

As stated in Note 2.1, the accompanying consolidated financial statements have been prepared in compliance with IFRS and IFRS 1 and other standards and pronouncements as issued by SOCPA in the KSA.

The accounting policies set out in Note 5 have been applied in preparing the consolidated financial statements for the year ended December 31, 2017, the comparative information presented in these consolidated financial statements for the year ended December 31, 2016, and in the preparation of an opening IFRS statement of financial position at January 1, 2016 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous GAAP. An explanation of how the transition from the previous GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Further, as disclosed in Note 2.2, under the previous GAAP, the Group consolidated the financial statements of Natpet for all the periods upto and as at December 31, 2016. Under IFRS that are endorsed in the KSA, investment in Natpet has been remeasured as equity accounted investment under the requirements of IAS 28 on the basis that the Group is not able to exercise control over Natpet under IFRS 10.

Therefore, on IFRS transition date (January 1, 2016), the Group has de-recognized the assets and liabilities of Natpet and recognised the initial cost of investment adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and comprehensive income till such date. The de-consolidation of Natpet has been presented separately from other remeasurements resulting from adoption of IFRS.

Following are the reconciliations of the Group's consolidated statement of financial position and consolidated statements of income and comprehensive income reported in accordance with previous GAAP to its consolidated statement of financial position and consolidated statements of income and comprehensive income under IFRS that are endorsed in the KSA.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 First-time adoption of IFRS (continued)

Reconciliation of equity as at January 1, 2016 (date of transition to IFRS)

	Note	Under previous GAAP as at January 1, 2016	De-consolidation of a subsidiary	Re-measurements	Under IFRS as at January 1, 2016
Assets					
Non-current assets					
Property, plant and equipment		2,285,802	(2,285,395)	-	407
Intangible assets		9,891	(9,891)	-	-
Investment accounted for using equity method	A,B	77,881	931,777	1,830	1,011,488
Available-for-sale investments		56,339	(56,250)	-	89
Total non-current assets		2,429,913	(1,419,759)	1,830	1,011,984
Current assets					
Inventories		253,119	(253,119)	-	-
Trade and other receivables		236,953	(229,848)	-	7,105
Prepayments and other current assets		52,345	(30,509)	-	21,836
Cash and cash equivalents		314,426	(306,779)	-	7,647
Total current assets		856,843	(820,255)	-	36,588
Total assets		3,286,756	(2,240,014)	1,830	1,048,572
Equity and liabilities					
Equity					
Share capital		692,000	-	-	692,000
Statutory reserve		50,631	-	-	50,631
Retained earnings	A,C	299,838	-	770	300,608
Cash flow hedge reserve		(4,987)	-	-	(4,987)
Equity attributable to the shareholders of the Parent Company		1,037,482	-	770	1,038,252
Non-controlling interests		742,625	(742,625)	-	-
Total equity		1,780,107	(742,625)	770	1,038,252
Non-current liabilities					
Long term borrowings		944,265	(944,265)	-	-
Employees defined benefit obligations	C	27,019	(23,119)	1,060	4,960
Derivative financial instruments		10,120	(10,120)	-	-
Total non-current liabilities		981,404	(977,504)	1,060	4,960
Current liabilities					
Current portion of long-term borrowings		260,180	(260,180)	-	-
Trade and other payables		95,409	(95,058)	-	351
Accrued and other current liabilities		156,862	(153,097)	-	3,765
Zakat payable		12,794	(11,550)	-	1,244
Total current liabilities		525,245	(519,885)	-	5,360
Total liabilities		1,506,649	(1,497,389)	1,060	10,320
Total equity and liabilities		3,286,756	(2,240,014)	1,830	1,048,572

(All amounts in Saudi Riyals thousands unless otherwise stated)

Reconciliation of equity as at December 31, 2016

	Note	Under previous GAAP as at December 31, 2016	De-consolidation of a subsidiary	Re-measurements	Under IFRS as at December 31, 2016
Assets					
Non-current assets					
Property, plant and equipment		2,113,710	(2,113,485)	-	225
Intangible assets		3,644	(3,644)	-	-
Investment accounted for using equity method	A,B	76,546	1,030,034	4,748	1,111,328
Available-for-sale investments		56,250	(56,250)	-	-
Derivative financial instruments		770	(770)	-	-
Total non-current assets		2,250,920	(1,144,115)	4,748	1,111,553
Current assets					
Inventories		206,214	(206,214)	-	-
Trade and other receivables	D	295,427	(279,995)	(9,029)	6,403
Prepayments and other current assets	D	85,012	(56,406)	9,029	37,635
Cash and cash equivalents		394,126	(381,439)	-	12,687
Total current assets		980,779	(924,054)	-	56,725
Total assets		3,231,699	(2,068,169)	4,748	1,168,278
Equity and liabilities					
Equity					
Share capital		692,000	-	-	692,000
Statutory reserve		61,904	-	-	61,904
Retained earnings	A,C	401,292	-	3,623	404,915
Cash flow hedge reserve		509	-	-	509
Equity attributable to the shareholders of the Parent Company		1,155,705	-	3,623	1,159,328
Non-controlling interests		814,559	(814,559)	-	-
Total equity		1,970,264	(814,559)	3,623	1,159,328
Non-current liabilities					
Long term borrowings		713,184	(713,184)	-	-
Employees defined benefit obligations	C	31,499	(27,793)	1,125	4,831
Total non-current liabilities		744,683	(740,977)	1,125	4,831
Current liabilities					
Current portion of long term borrowings		235,125	(235,125)	-	-
Trade and other payables		75,592	(75,288)	-	304
Accrued and other current liabilities		190,097	(188,065)	-	2,032
Zakat payable		15,938	(14,155)	-	1,783
Total current liabilities		516,752	(512,633)	-	4,119
Total liabilities		1,261,435	(1,253,610)	1,125	8,950
Total equity and liabilities		3,231,699	(2,068,169)	4,748	1,168,278

(All amounts in Saudi Riyals thousands unless otherwise stated)

Reconciliation of consolidated statement of income for the year ended December 31, 2016

	Note	Under previous GAAP for the year ended December 31, 2016	De-consolidation of a subsidiary	Re-measurements	Under IFRS for the year ended December 31, 2016
Revenues		1,446,188	(1,446,188)	-	-
Cost of sales		(1,059,973)	1,059,973	-	-
Gross profit (loss)		386,215	(386,215)	-	-
Share in net income of equity accounted investees	A	-	122,135	2,682	124,817
Selling and marketing expenses		(39,749)	39,749	-	-
General and administration expenses	C	(58,356)	48,286	(65)	(10,135)
Other operating expenses		(19,132)	19,132	-	-
Other income		3,395	(3,395)	-	-
Operating profit (loss)		272,373	(160,308)	2,617	114,682
Finance income		2,100		-	2,100
Financial charges		(47,894)	47,894	-	-
Share in net loss of joint ventures accounted for using equity method		(8,473)	8,473	-	-
Impairment of available-for-sale Investments		(89)	-	-	(89)
Profit (loss) before zakat		218,017	(103,941)	2,617	116,693
Zakat expense		(14,644)	13,295	-	(1,349)
Profit (loss) for the year		203,373	(90,646)	2,617	115,344
Attributable to:					
Shareholders of the Parent Company		112,727	-	2,617	115,344
Non-controlling interests		90,646	(90,646)	-	-
		203,373	(90,646)	2,617	115,344

(All amounts in Saudi Riyals thousands unless otherwise stated)

Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2016

	Note	Under previous GAAP for the year ended December 31, 2016	De-consolidation of a subsidiary	Re-measurements	Under IFRS for the year ended December 31, 2016
Profit (loss) for the year		203,373	(90,646)	2,617	115,344
Items that may be reclassified to statement of income:					
Share in other comprehensive income (loss) of equity accounted investees		9,575	(4,079)	-	5,496
Items that will not be reclassified to statement of income:					
Share in other comprehensive income of equity accounted investee	C	-	-	236	236
Comprehensive income (loss) for the year		212,948	(94,725)	2,853	121,076
Attributable to:					
Shareholders of the Parent Company		118,223	-	2,853	121,076
Non-controlling interests		94,725	(94,725)	-	-
		212,948	(94,725)	2,853	121,076

Impact of IFRS adoption on the consolidated statement of cash flows for the year ended December 31, 2016

	Under previous GAAP for the year ended December 31, 2016	De-consolidation of a subsidiary	Re-measurement	Under IFRS for the year ended December 31, 2016
Net cash flows from operating activities	398,540	(406,100)	(9,052)	(16,612)
Net cash flows from investing activities	(35,304)	96,717	(39,761)	21,652
Net cash flows from financing activities	(282,971)	252,262	30,709	-
Net change in cash and cash equivalents	80,265	(57,121)	(18,104)	5,040
Cash and cash equivalents, beginning of the year	308,426	(300,779)	-	7,647
Cash and cash equivalents, end of the year	388,691	(357,900)	-	12,687

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 First-time adoption of IFRS (continued)

6A Investment in Natpet

Natpet also adopted IFRS that are endorsed in the KSA from the Group's IFRS transition date. The cumulative impact of the adjustments resulting from Natpet's transition to IFRS have been tabulated below:

6A(i) IFRS transition adjustment of Natpet

Adjustments for:	Reference to details of the adjustment	January 1, 2016	December 31, 2016	
		Statement of financial position	Statement of financial position	Statement of income
Componentization of property, plant and equipment	A(ii)	15,776	16,241	465
Intangible assets	A(iii)	(5,677)	(2,092)	5,907
Strategic spare parts and stand-by equipment	A(iv)	(5,985)	(7,158)	(1,173)
Asset created on retirement obligation	A(v)	2,182	2,089	(94)
De-recognition of deferred charges under the previous GAAP	A(iii)	(5,832)	(3,511)	-
Deferred charges under IFRS – unamortized / charge	A(vi)	2,984	1,746	(1,665)
Amortization of Nobel loan	A(vii)	2,161	1,730	(431)
Employees defined benefits	A(viii)	(134)	41	(61)
Provisions	A(v)	(5,311)	(5,576)	(266)
Impact of current portion of unamortized deferred charges	A(vi)	1,666	1,238	-
Net impact on equity accounted investees / profit before zakat		**1,830**	**4,748**	**2,682**

Details of the adjustments are given below:

6A (ii) Componentization of property, plant and equipment

Under IFRS that are endorsed in the KSA, property, plant and equipment should be componentised and the useful life of each component should be identified and capitalized separately. Each component should be depreciated over its determined useful life from the date of capitalization. The componentization concept was not a followed practice in the KSA under the previous GAAP. As part of the transition to IFRS that are endorsed in the KSA, Natpet has applied the concept of assets' componentization. As a result, the useful lives of the identified components have been revised from the date of capitalization which resulted in the decrease in accumulated depreciation charge and corresponding increase in the retained earnings at January 1, 2016 of Natpet.

6A(iii) Intangible assets

Under the previous GAAP, Natpet capitalised the cost of incorporation and amortised it on a straight-line basis over the period of seven years. Under IFRS, the cost of incorporation does not qualify for recognition as an asset. Therefore, the unamortised portion of the cost of incorporation as at January 1, 2016 has been charged to retained earnings of Natpet.

6A(iv) Strategic spare parts and stand-by equipment

Under the previous GAAP, Natpet recorded the cost of strategic spare parts and stand-by equipment with a useful life of more than one accounting year under inventory. However, under IFRS that are endorsed in KSA, such cost is required to be capitalised under property, plant and equipment and depreciated over its useful life. Reclassification of the cost of strategic spare parts and stand-by equipment in property, plant and equipment resulted in the increase in the accumulated depreciation and corresponding decrease in the retained earnings of Natpet at January 1, 2016.

6 First-time adoption of IFRS (continued)

6A(v) Provisions

Under previous GAAP, an asset retirement obligation was not recorded by Natpet relating to decommissioning of plant. Asset retirement obligation needs to be computed under IAS 37 based on the present value of future cash outflow required to fulfil the obligation. Recognition of the asset retirement obligation by Natpet resulted in decrease in its retained earnings at January 1, 2016.

6A(vi) Long-term borrowings

Natpet has obtained long-term borrowings from commercial banks and other parties. Under IFRS, financial liabilities are required to be recognised at fair value on initial recognition. Subsequent recognition of a loan liability should be at amortised cost using an effective interest rate ("EIR"). Further, any upfront fees paid would be required to be factored in to the loan payable and amortised using the revised EIR, i.e. EIR adjusted for the upfront fee. Under the previous GAAP, the upfront fees paid by Natpet was amortised on straight line basis over the tenure of the loan. Accordingly, an adjustment has been made to the Group's retained earnings and the investment in equity accounted investees as at the IFRS transition date in respect of the borrowings obtained by Natpet.

6A(vii) Nobel loan

Under IFRS, financial liabilities are required to be recognised at fair value on initial recognition. Where the financial liability is dependent on the occurrence or non-occurrence of uncertain future events that are beyond the control of both issuer and the lender, the issuer of such an instrument does not have the unconditional right to avoid or defer settlement. Therefore, such financial liability under IFRS needs to be accounted as a current liability. Under the previous GAAP, this loan was recorded as non-current. Therefore, the loan has been reclassified by Natpet from long-term borrowings to short-term borrowings at IFRS transition date on amortised value. However, the difference between face value and carrying value was not considered to be material therefore no adjustment was made.

6A(viii) Employees defined benefit liabilities

Under the previous GAAP, Natpet recognised costs related to its employees defined benefit liabilities in accordance with Saudi Labor Law requirements. Under IFRS, employees defined benefit liabilities are recognised on an actuarial basis under project unit credit method. Accordingly, the Group's share of the differential between Natpet liabilities determined under Saudi Labor Law requirements and actuarial basis has been recorded in the retained earnings and adjusted against the investment in equity accounted investees. The Group's share of the remeasurement of employees defined benefit liabilities of Natpet for the year ended December 31, 2016 has been recorded in the statement of comprehensive income.

6B Investment in joint ventures

Under the previous GAAP, the Group classified its investment in Zain as an associate and accounted it using equity method. Under IFRS, the investment has been reclassified as investment in a joint venture. However, accounting treatment for joint ventures under IFRS and associates under the previous GAAP is consistent. Therefore, there has been no change in the carrying value of the investment and profit before zakat. During 2017, consequent to the increase in the ownership interest by the Group, Zain has been consolidated in this consolidated financial statements (also see Note 9).

6C Employees defined benefit liabilities

Under previous GAAP, the Group recognised costs related to its employees defined benefit liabilities in accordance with Saudi Labor Law requirements. Under IFRS, employees defined benefit liabilities are recognised on an actuarial basis under the previous GAAP. Accordingly, the differential between the liabilities determined under Saudi Labor Law requirements and actuarial basis has been recorded in the retained earnings. Remeasurement of employees defined benefit liabilities for the year ended December 31, 2016 has been recorded in the statement of other comprehensive income.

As at January 1, 2016, the above mentioned adjustment has resulted in an increase of employee defined benefit liabilities by Saudi Riyals 1.06 million and corresponding decrease in retained earnings.

As at December 31, 2016, the above mentioned adjustment has resulted in the increase of employee defined benefit liabilities by Saudi Riyals 1.1 million and corresponding decrease in retained earnings. Further, the profit before zakat for the year reduced by Saudi Riyals 0.07 million and actuarial gain of Saudi Riyals 0.02 million has been recognized in comprehensive income due to such adjustment.

6D Reclassification of advances

Advances in respect of purchase consideration of additional equity interest in Zain have been reclassified from other receivable to other current assets as required under IFRS.

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. Property, plant and equipment

	Leasehold improvements	Buildings	Plant and equipment	Furniture and fixtures	Office equipment	Vehicles	Total
Cost							
At January 1, 2016	715	-	-	515	556	434	2,220
Additions	-	-	-	-	5	-	5
At December 31, 2016	715	-	-	515	561	434	2,225
Acquisition of a subsidiary (note 9)	-	13,688	20,128	-	103	42	33,961
Additions	-	-	907	-	66	-	973
Write-offs		-	-	-	(6)	-	(6)
At December 31, 2017	**715**	**13,688**	**21,035**	**515**	**724**	**476**	**37,153**
Depreciation							
At January 1, 2016	571	-	-	408	401	433	1,813
Depreciation charge for the year	71	-	-	52	63	1	187
At December 31, 2016	642	-	-	460	464	434	2,000
Depreciation charge for the year	66	1,067	1,893	48	94	21	3,189
Write-offs	-	-	-	-	(2)	-	(2)
At December 31, 2017	**708**	**1,067**	**1,893**	**508**	**556**	**455**	**5,187**
Net book value							
At December 31, 2017	**7**	**12,621**	**19,142**	**7**	**168**	**21**	**31,966**
At December 31, 2016	73	-	-	55	97	-	225
At January 1, 2016	144	-	-	107	155	1	407

There were no disposals during the year ended December 31, 2017 (December 31, 2016: nil)

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Intangibles

Software under development	Note	
At January 1, 2017		-
Acquisition of a subsidiary	9	224
At December 31, 2017		224

The Group is in the process of internally developing a software for internal management reporting purposes. As at December 31, 2017, the carrying value of such software amounted to Saudi Riyals 223,905. No amortization has been charged on to the consolidated statement of income as the software is still in the development phase.

9 Interest in other entities

9.1 Investment in subsidiaries

The Group's principal subsidiaries at December 31, 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also its principal place of business.

				Effective ownership	
Subsidiaries	**Note**	**Country of incorporation**	**Paid up share capital**	**2017**	**2016**
Zain Industries Company	(i)	Saudi Arabia	**60,000**	**98.75%**	49.38%
Alujain Company for Investment	(ii)	Saudi Arabia	**100**	**100%**	-
Alujain Industrial Company	(iii)	Saudi Arabia	**100**	**100%**	-

i. Zain Industries Company – a Limited Liability Company ("Zain") in which the Company owned 49.38% ownership interest as at December 31, 2016. During the year, the Company increased its ownership interest in Zain from 49.38% to 98.75% by purchasing the interest from existing partners (also see Note 9.1). Consequent upon transfer of ownership interest, Zain has been consolidated in the accompanying financial statements with effect from January 1, 2017 (the acquisition date as per the shareholders agreement). Zain is engaged in the business of homecare products (spray starch and air fresheners), insecticides and agricultural pesticides, with manufacturing facility located in Jubail Industrial City, Saudi Arabia.

ii. Alujain Company for Investment - A Sole Proprietor Limited Liability Company ("ACJ") was incorporated during the year ended December 31, 2017. ACJ's purpose is to engage in sale and purchase of land and real estate, and provision of commercial and administrative services. However, ACJ has not commenced commercial operations. The Parent Company has transferred 26,008,709 shares held in National Petrochemical Industrial Company Natpet (representing 20% share capital of Natpet) to ACJ under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.

iii. Alujain Industrial Company - A Sole Proprietor Limited Liability Company ("AIC") was incorporated during the year ended December 31, 2017. AIC's purpose is to engage in providing commercial and administrative services. However, AIC has not commenced commercial operations. The Parent Company transferred 26,008,709 shares held in Natpet (representing 20% share capital of Natpet) to AIC under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.

There were no acquisitions during the year ended December 31, 2016.

9.2 Non-controlling interest

Non-controlling interest recognized in the consolidated financial statements constitute of the out of Group holding in Zain. The Board of Directors do not view the non-controlling interest as material to the Group.

(All amounts in Saudi Riyals thousands unless otherwise stated)

9.3 Investment in equity accounted investees

Investment in equity accounted investees consists of the following investments in private entities:

	Place of Business / country for incorporation	% Ownership		Nature of relationship	December 31, 2017	December 31, 2016
		2017	**2016**			
Natpet	Saudi Arabia	**57.4%**	57.4%	**Associate** (i)	**1,144,445**	1,102,273
Zain	Saudi Arabia	**98.75%**	49.38%	**Subsidiary / Joint venture** (ii)	**-**	9,055
					1,144,822	1,111,328

i. Natpet

The movement in the investment is as follows:

	December 31, 2017	December 31, 2016
January 1	**1,102,273**	1,002,433
Profit for the year	**133,326**	124,817
Comprehensive (loss) income for the year	**(8,958)**	5,732
Dividends	**(82,196)**	(30,709)
December 31	**1,144,445**	1,102,273

Natpet is a Saudi Closed Joint Stock Company, incorporated and operating in the Kingdom of Saudi Arabia. The objective of Natpet is to produce polypropylene as per Industrial Ministry License No. 2339 dated Rajab 23,1438H, corresponding to April 20, 2017. Natpet's Polypropylene (PP) complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

At January 1, 2016 (the date of Group's adoption of IFRS), investment in Natpet, which was previously recognised as a subsidiary in all the financial statements prepared and published upto and for the year ended December 31, 2016, was re-measured as an equity accounted investee. Consequently, the financial results of Natpet were de-consolidated and re-measured as an equity accounted investee from the date of Group's adoption of IFRS. Please see Note 6.

On March 20, 2016, corresponding to Jumad Thani 11, 1437 H, the Board of Directors of Natpet proposed and shareholders approved cash dividends of Saudi Riyals 0.5 per share for the year ended December 31, 2015, which represents 5% of total paid up capital, amounting to Saudi Riyals 53.5 million. The cash dividend was subsequently paid on March 22, 2016, corresponding to Jumad Thani 13, 1437 H.

On December 22, 2016, corresponding to Rabi' I 23, 1438 H, the Board of Directors of Natpet proposed and, later, shareholders approved cash dividends of Saudi Riyals 1.3 per share for the year ended December 31, 2016, which represents 13.4% of total paid up capital, amounting to Saudi Riyals 143.2 million. The cash dividend was subsequently paid on May 8, 2017, corresponding to Sha'ban 12, 1438 H.

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Interest in other entities (continued)

9.3 Investment in equity accounted investees (continued)

The summarised financial results of Natpet are as follows:

Summarized statement of financial position	**December 31, 2017**	**December 31, 2016**
Current assets		
Cash and cash equivalents	**259,144**	381,439
Other current assets	**659,542**	502,210
Total current assets	**918,686**	883,649
Non-current assets	**2,207,574**	2,298,266
Total assets	**3,126,260**	3,181,915
Current liabilities		
Financial liabilities - Islamic financing agreement	**199,165**	157,969
Financial liabilities (excluding trade and other payables and provisions)	**129,022**	248,705
Other current liabilities	**334,423**	121,675
Total current liabilities	**662,610**	528,349
Non-current liabilities		
Financial liabilities - Islamic financing agreement	**270,448**	469,613
Financial liabilities	**154,630**	227,895
Other non-current liabilities	**46,478**	37,435
Total non-current liabilities	**471,556**	734,943
Total liabilities	**1,134,166**	1,263,292
Net assets	**1,992,094**	1,918,623

A reconciliation to the carrying amount to the net assets of Natpet is as follows:

	December 31, 2017	**December 31, 2016**
Opening net assets	**1,918,623**	1,746,416
Profit for the year	**232,278**	215,720
Comprehensive (loss) income for the year	**(15,607)**	9,987
Dividend	**(143,200)**	(53,500)
	1,992,094	1,918,623
Group's share in % (rounded to one decimal)	**57.4%**	57.4%
Group's share in net assets (computed on absolute share)	**1,143,450**	1,101,278
Inter-group adjustment	**995**	995
	1,144,445	1,102,273

Summary of statements of income and comprehensive income of Natpet is as follows:

	For the year ended December 31,	
	2017	**2016**
Revenues	**1,540,078**	1,446,188
Depreciation and amortization	**223,222**	212,206
Financial charges – Islamic financing agreement	**(16,553)**	(24,200)
Financial charges	**(27,492)**	(27,809)
Zakat	**(14,200)**	(13,295)
Profit for continuing operations	**232,278**	215,720
Other comprehensive income	**(15,607)**	9,987
Total comprehensive income for the year	**216,671**	225,707

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Interest in other entities (continued)

9.3 Investment in equity accounted investees (continued)

ii. Zain

The movement in the investment is as follows:

	December 31, 2017	December 31, 2016
January 1	**9,055**	9,055
Step-acquisition into a subsidiary	**(9,055)**	-
December 31	**-**	9,055

The Group held 49.38% ownership interest in Zain as at December 31, 2016. In the prior year, the Group advanced Saudi Riyals 9.05 million, as part of initial contribution to acquire additional stake of 49.37% in Zain. The formalization of share purchase agreement and other legal formalities were in progress as at December 31, 2016. Investment in Zain was carried in 2016 and 2015 based on the management assessment of the recoverable amount of the equity interest in Zain.

During the year, the share purchase agreement and other legal formalities for acquiring additional equity interest in Zain were finalized at purchase consideration of Saudi Riyals 9.05 million which had been advanced in 2016. Prior to share purchase agreement, the Group did not have and never had other than significant influence over Zain and, therefore, the Group never consolidated the financial statements of Zain.

The Group consolidated the financial results of Zain on January 1, 2017 (the date of acquisition of Zain) and accounted for the acquisition as a 'step acquisition' in accordance with IFRS 3 "Business Combinations" ("IFRS 3"). The management has assessed the fair value of the previously held equity interest in Zain using the cash consideration for the additional interest as a benchmark.

The Group carried out a fair value exercise and determined fair value of the identifiable assets and liabilities of Zain on the date of acquisition which resulted in a gain on acquisition of Saudi Riyals 15.98 million. The gain on the acquisition of Zain is a result of an undertaking signed between the Parent Company and the existing partners. Under such undertaking, incase the existing partners decided to exit the investment, the Parent Company would acquire the shares from such partners. The consideration for the acquisition was agreed as the amount paid to the Group for such investment by the existing partners on the date of such undertaking.

Details of the amount recognized in the consolidated statement of income on acquisition, the net assets acquired and purchase consideration are as follows:

i. Details of the gain on acquisition of Zain due to allocation of purchase price over the fair value of identifiable assets and liabilities of Zain and re-measurement of previously held investment is as follows:

	Note	January 1, 2017
Gain on acquisition of additional 49.37% ownership interest	(a)	**15,977**
Re-measurement of previously held investment	(b)	**-**
		15,977

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Interest in other entities (continued)

9.3 Investment in equity accounted investees (continued)

a. Gain on acquisition of additional 49.37% ownership interest

	Note	January 1, 2017
Assets		
Property, plant and equipment	7	**33,961**
intangible assets	8	**224**
Inventories	10	**3,904**
Trade and other receivables	11	**3,524**
Prepayments		**1,032**
Cash and cash equivalents		**14,136**
Liabilities		
Employees defined benefit liabilities		**(1,451)**
Trade and other payables		**(19,929)**
Accrued and other current liabilities		**(303)**
Zakat payable	19	**(583)**
Net identifiable assets		**34,515**
Less: Fair value of 49.38% previously held ownership interest		**(9,055)**
Purchase consideration		**(9,052)**
Initial recognition of NCI	9.2	**(431)**
Gain on acquisition of additional 49.37% ownership interest		**15,977**

b. Re-measurement of previously held 49.38% ownership interest

	January 1, 2017
Carrying value of 49.38% previously held ownership interest	**9,055**
Less: fair value of 49.38% previously held ownership interest	**(9,055)**
Net impact of re-measurement of the existing investment	**-**

The cash consideration paid for the 49.38% acquired in the current year is the best estimation for the fair value of the previously held interest and therefore the fair value of the previously held interest was determined to be Saudi Riyals 9.05 million.

ii. Purchase consideration – cash inflow

Cash and cash equivalent	**14,136**
Less: Outflow of cash to acquire a subsidiary *	**-**
	14,136

* The Parent Company had advanced Saudi Riyals 9.05 million towards the purchase consideration of additional equity interest in Zain during 2016. Also, see consolidated statement of cash flows and note 30.

10 Inventories

	2017	2016
Raw materials	**1,779**	-
Packaging and labels	**1,755**	-
Finished products	**986**	-
Consumable spares	**196**	-
Less: provision for inventory obsolescence	**(100)**	-
	4,616	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

The movement in provision for inventory obsolesce is as follows:

	2017	2016
January 1	**-**	-
Additions	**100**	-
December 31	**100**	-

During the year, Saudi Riyals 15 million were recognized as an expense in the cost of sales (including Saudi Riyals 100,000 recognized to bring the inventory at net realizable value).

11 Trade and other receivables

	2017	2016
Trade receivable - net	**4,363**	-
Due from related parties	**86**	6,403
Other receivables	**70**	-
	4,519	6,403
Less: provision for doubtful debts	**(510)**	-
	4,009	6,403

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

Other receivables generally arise from transactions outside the usual operating activities of the Group.

The individually impaired receivables are more than one year past due and mainly relate to one trade customer. A provision is recognized for amounts not expected to be recovered (also see Note 28).

Movement in provision for doubtful debts is as follows:

	2017	2016
January 1	**-**	-
Additions	**510**	-
December 31	**510**	-

The Group has recognized an expense of Saudi Riyals 510,000 (2016: nil) relating to the provision for doubtful debts of its trade receivables.

12 Prepayments and other current assets

	Note	2017	2016
Prepayments		**777**	70
Deposits		**8**	-
Advance for acquisition of Zain	30	**-**	9,052
Advances to employees		**627**	28
Advances to suppliers and contractors		**1,368**	-
Deposit against bank guarantee		**28,485**	28,485
		31,265	37,635

13 Cash and cash equivalents

	2017	2016
Cash in hand	**38**	7
Cash at banks	**9,538**	7,245
Short term deposits - murabaha deposits	**11,321**	5,435
	20,897	12,687

Cash at banks and short-term deposits are placed with commercial banks. Short term deposits yields financial income at variable commercial rates and have a maturity of less than 3 months from the date of deposit placement.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Share capital

The Parent Company's authorized, issued and fully paid share capital is Saudi Riyals 692 million which is divided into 69.2 million shares of Saudi Riyals 10 par value each.

15 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Parent Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals to 30% of its share capital.

16 Employees defined benefit liabilities

16.1 General description of the plan

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in the consolidated statement of comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of income.

	2017	**2016**
Defined benefits obligation	**4,628**	4,831

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Changes in the present value of defined benefit obligation are as follows:

	Note	**2017**	**2016**
January 1		**4,831**	4,960
Acquisition of a subsidiary	9	**1,451**	-
Current service cost		**697**	584
Past service cost		**34**	-
Financial charges		**313**	201
Benefits paid		**(2,155)**	(914)
Actuarial gain on the obligation			
Effect of changes in financial assumptions		**109**	-
Effect of experience adjustments		**358**	-
Transfer of an employee obligation to a related party		**(1,010)**	-
December 31		**4,628**	4,831

Net benefit expense (recognized in the consolidated statement of income statement) is as shown below:

	2017	**2016**
Current service cost	**697**	584
Past service cost	**34**	-
Financial charges	**313**	201
Benefit expense	**1,044**	785

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Employees defined benefit liabilities (continued)

Net actuarial gain on the obligation for the year is as follows:

	December 31, 2017	December 31, 2016
Effect of changes in financial assumptions	**109**	-
Experience adjustment	**358**	-
Actuarial gain on the obligation	**467**	-

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	December 31, 2017	December 31, 2016
1 - 5 years	**1,262**	2,598
Over 5 years	**2,855**	4,472

16.2 Actuarial assumptions

Principal assumptions used in determining defined benefit obligation for the Group is as shown below:

	2017	2016
Discount rate	**5%**	5%
Future salary growth	**6% - 10%**	10%
Employee turnover*	**2% - 10%**	4% - 10%
Duration of the defined benefit plan obligation	**16.6 - 18.1**	11.7

* Based on attrition rate assumption for each age band.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2017	2016
1% increase in discount rate	**(561)**	(305)
1% decrease in discount rate	**745**	358

Future salary growth:

	2017	2016
1% increase in salary escalation rate	**712**	337
1% decrease in salary escalation rate	**(548)**	(295)

Mortality rate:

	2017	2016
Mortality Rate: Increase by 20%	**15**	(12)
Mortality Rate: Decrease by 20%	**31**	13

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Trade and other payables

	2017	2016
Trade payables	**3,297**	-
Due to related parties	**-**	272
Dividend payable	**1,040**	12
Other payable	**6,413**	20
	10,750	304

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

18 Accrued and other current liabilities

	2017	2016
Accrued expenses	**700**	300
Accrued professional fees	**1,725**	894
Accrued employee related cost	**548**	838
	2,973	2,032

19 Zakat

19.1 Components of zakat base

The Company and its subsidiaries file separate zakat declarations which are filed on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property and equipment, and investments.

19.2 Provision for zakat

The movement in the Group's zakat payable balance is as follows:

	2017	2016
January 1	**1,783**	1,244
Acquisition of a subsidiary (Note 9)	**583**	-
Provided during the year	**1,323**	1,349
Adjustment - prior year	**8**	-
Paid during the year	**(1,940)**	(810)
December 31	**1,757**	1,783

19.3 Status of assessments

The Parent Company – Alujain Corporation (a Saudi Joint Stock Company)

As at December 31, 2017, the Parent Company has received assessment orders for the years 2003 to 2007, 2008 to 2010, 2011 and 2012, and 2013 to 2016 from GAZT. The additional assessed liability under such assessment orders have arisen mainly from the GAZT not allowing the deduction of investment and accumulated losses for the years 2003 through 2016. Details of the assessment orders are as follows:

Assessment order received in prior years

Assessment order for the years 2003 to 2007

The Parent Company filed its zakat return for the years 2003 through 2007. The GAZT issued its assessment for the said years and claimed additional zakat difference of Saudi Riyals 5.4 million. The Company objected to the said assessments and has lodged the bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also see Note 31 for the guarantee given by the Parent Company.

Assessment order for the years 2008 to 2010

The Parent Company filed its zakat return for the years 2008 through 2010. The GAZT issued its assessment for the said years and claimed additional zakat difference of Saudi Riyals 16.87 million. The Parent Company objected to the said assessments and has lodged a bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also, see Note 31 for the guarantee given by the Parent Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Zakat (continued)

Assessment order for the years 2011 to 2012

The Parent Company filed its zakat return for the years 2011 and 2012. The tax authorities issued its assessment for the said years and claimed an additional zakat difference of Saudi Riyals 6.7 million. The Parent Company objected to the said assessments and has lodged the bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also see Note 31 for the guarantee given by the Parent Company.

Assessment order received during the year

Assessment order for the years 2013 to 2016

The Parent Company filed its zakat return for the years 2013 through 2016. On December 22, 2017 (corresponding to Rabi Al Thani 4, 1439, the tax authorities issued a zakat assessment and claimed an additional zakat difference of Saudi Riyals 3.5 million. The Parent company has lodged an appeal with the Preliminary Appeal Committee (PAC). The Parent Company believes its position to be robust in its interpretation of zakat obligation.

20 Cost of sales

	2017	2016
Cost of materials	**15,449**	**-**
Depreciation	**3,024**	**-**
Employee cost	**1,473**	-
Rent and utilities	**415**	-
Repairs and maintenance	**325**	-
Other overheads	**312**	-
	20,998	-

21 Selling and marketing expenses

	2017	2016
Employee cost	**2,055**	-
Distribution and freight	**1,112**	-
Rent	**139**	-
Other	**160**	-
	3,466	-

22 General and administrative expenses

	2017	2016
Employee cost and other compensation	**14,295**	6,911
Legal and professional fees	**2,859**	1,009
Public relation and publicity	**784**	659
Rent	**410**	380
Depreciation	**165**	187
Meetings, seminars and conferences	**375**	163
Travel and accommodation	**797**	120
Utilities and services	**132**	118
Subscriptions and office supplies	**147**	56
Information technology	**27**	41
Repairs and maintenance	**46**	72
Provision for doubtful debt	**510**	-
Reversal of provision for due from a related party (Note 11)	**(5,167)**	-
Other	**850**	419
	16,230	10,135

During 2017, the Group reversed a provision for doubtful debt amounting to Saudi Riyals 5.17 million (2016: nil) recorded in the prior years in respect a receivable balance from Zain before acquiring controlling interest in Zain (also see Note 9). The reversal of provision has been credited within "general and administrative expenses" in the consolidated statement of income.

23 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There has been no item of dilution affecting the weighted average number of shares during the year (December 31, 2016: Nil).

	2017	2016
Income for the year attributable to ordinary equity holders	**136,198**	115,344
Weighted average number of ordinary shares ('000)	**69,200**	69,200
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company	**1.97**	1.67

24 Segment reporting

A reporting segment is a group of assets and operations engaged in revenue producing activities, results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment, and financial information for which is separately available.

The Group's President and Board of Directors monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

During 2016, the Group only held investments in and equity accounted investees and CODM reviewed the results of the Group investments as a whole. In 2017, the Group acquired controlling interest in Zain which is engaged in the manufacturing of home care products. Subsequent to such acquisition, CODM now reviews the operations principally in the following two operating segments:

i. Investment made by the Group in the Company engaged in the manufacturing of petrochemical products; and
ii. Manufacturing of home-care products.

Certain expense related to the Parent Company which are not directly attributable to the segments are not allocated by the CODM.

Selected financial information as of December 31, 2017 summarized by the above operating segments is as follows:

	Investments	Manufacturing of home-care products	Unallocated	Total
2017				
Revenues	-	28,322	-	28,322
Cost of sales excluding depreciation	-	(17,974)	-	(17,974)
Depreciation	-	(3,024)	(165)	(3,189)
Share in net profit of an equity accounted investee*	133,326	-	-	133,326
Gain on acquisition of a subsidiary		-	15,977	15,977
Selling and marketing expenses	-	(3,466)	-	(3,466)
General and administration expenses	-	(5,214)	(10,851)	(16,065)
Finance income	-	250	330	580
Segment results (profit before zakat)	133,326	(1,106)	5,291	137,511

* Also see Note 9 for financial results of equity accounted investees.

	Investments	Manufacturing of home-care products	Unallocated	Total
Total assets	**1,144,445**	**49,968**	**43,009**	**1,237,422**
Total liabilities	**-**	**11,764**	**8,344**	**20,108**

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Segment reporting (continued)

The Group's local and export sales during the year is as follows:

	2017	2016
Geographic information		
Revenue from external customers		
Local sales	**28,322**	-
Export sales – Middle East	**(229)**	-
Total	**28,093**	-

The revenue information above is based on the locations of the customers. The non-current assets of the Group are based in the Kingdom of Saudi Arabia.

25 Operating leases

The Group has various operating leases for its office and vehicles. Rental expenses for the year ended December 31, 2017 were Saudi Riyals 0.55 million (2016: Saudi Riyals 0.38 million). Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**250**	250
One to five years	**1,000**	1,000
More than five years	**1,000**	1,250
	2,250	2,500

The Group has entered into certain auto-renewal rental contracts in respect of office premises. Non-cancellable portion of such contracts is considered to be one year.

26 Related party transactions and balances

Related party transactions

Parent entities

The Group is controlled by the Alujain Corporation, the ultimate Parent Company. The Group structure does not have any immediate Parent.

Interest in subsidiaries, joint ventures and equity accounted investees

The interest in subsidiaries, joint ventures and equity accounted investees are set out in Note 9.

Key management compensation

	2017	2016
Short-term employee benefits	**2,502**	2,511
Termination benefits	**281**	438
	2,783	2,949

Directors and other committees' remuneration and related expenses

	Year ended December 31, 2017	2016
Compensation of the executive directors	**1,837**	750
Board of directors' remuneration	**2,375**	200
Board of Directors' and related committees' attendance fees and expenses	**635**	127
	4,847	**327**

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 Related party transactions and balances (continued)

Significant transactions with related parties in the ordinary course of business included in these consolidated financial statements are summarized below:

Related party	Nature of transaction	Relationship	2017	2016
Natpet	Expense charged – net	Significant influence	**317**	**1,517**
Natpet	Dividends	Significant influence	**82,196**	**-**
Xenel Industries Limited *	Expense charged – net	Significant influence through common directorship	**1,057**	**2,093**
Safra Company Limited *	Expense charged – net	Significant influence through common directorship	**21**	**19**
Zain	Expense charged – net	Subsidiary / Joint venture	**-**	**84**

* Xenel Industries Limited and Safra Company Limited were related to the Group till December 21, 2017. All the transaction incurred with these Companies till the said date have been disclosed as related party transactions. Balance with these parties at December 31, 2017 are not disclosed under 'related party balances'.

Terms and conditions of transactions with related parties

Transaction with the related parties are undertaken at mutually agreed prices and are approved by the management. Outstanding balances as at December 31, 2017 are unsecured, interest free and settled in cash. For the year ended December 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Related party balances

	Related party	Relationship	2017	2016
	Included within "trade and other receivables"			
i)	Amounts due from related parties			
	Natpet	Significant influence	**86**	403
	Zain	Subsidiary / Joint venture	**-**	6,000
			86	6,403
	Included within "prepayments and other current assets"			
	Safra Company Limited	Significant influence through common directorship	**-**	9,052
	"		**-**	9,052
	Included within "trade and other payables			
ii)	Amounts due to related parties			
	Xenel Industries Limited	Significant influence through common directorship	**-**	272
			-	272

The balances of the Group with Safra Company Limited and Xenel Industries Limited in the current year have not been disclosed under related party balances.

27 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value, of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2017 and December 31, 2016, all of the Group's financial assets are currently classified as loans and receivables and measured at amortised cost. Further, all of Group's financial labilities are currently classified as payables and their fair values are estimated to approximate their carrying values.

Consolidated financial statements do not include any financial instruments at December 31, 2017 and December 31, 2016. The Group has an AFS investment which is fully impaired at December 31, 2017 and December 31, 2016.

28 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are currency risk, fair value and cash flow interest rate risk, price risk, credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by: interest rate risk, currency risk and other price risk.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rate and changes in foreign currency rates.

i. 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 is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and accordingly the Group does not have material exposure to other foreign currencies at the year ended December 31, 2017. Further, since the Saudi Riyal is pegged to the US dollar, the Group is not exposed to significant foreign currency risk.

ii. Interest rate risk

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 position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

At the reporting date, there were no interest bearing financial liabilities. Interest bearing financial assets at balance sheet date comprise of short term deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

Trade and other receivables, other current assets and trade and other current liabilities are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets.

Short-term deposits yield market rate of interest.

iii. Price risk

The Groups assets and liabilities are not exposed to any significant price risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk except for trade receivables.

To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

The Group's maximum exposure to credit risk at the reporting date is as follows;

	2017	2016
Financial assets		
Trade and other receivables	**4,009**	15,342
Cash and cash equivalents	**20,859**	12,680
	24,868	28,022

Trade receivables are due from customers who have been assessed for credit worthiness prior to the execution of relevant contracts. Cash at bank and short term deposits are placed with local banks having sound credit rating. There were no past due or impaired receivables from related parties.

The fair value of cash and cash equivalents at December 31, 2017 and 2016 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

	2017	2016
Neither past due nor impaired:	**2,975**	-
	2,975	-
Past due but not impaired:		
- Less than 180 days overdue	**655**	-
- 180 to 360 days overdue	**733**	-
Total past due but not impaired	**1,388**	-
Individually determined to be impaired (gross)		
- 180 to 360 days overdue	**-**	-
- More than 360 days	**510**	-
Total individually determined to be impaired	**510**	-
Less: provision for doubtful debts	**(510)**	-
Total trade receivables, net of provision for impairment	**4,363**	-

Cash at bank and short-term deposits, neither past due nor impaired (Fitch's ratings of respective counterparties):

	2017	2016
A-	**8,988**	2,498
BBB+	**11,871**	10,182
Total cash at bank and short-term deposits	**20,859**	12,680

Credit risk with respect to cash at bank and short-term deposits is not significant as such balances are kept with multiple reputable local and international banks which reduces the concentration of such risk.

c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at December 31, 2017.

	Demand less than 1 month	From 1 month to 3 months	From 3 to 12 months	From 1 year to 2 years	From 2 to 3 years	Total
2017						
Accounts payable	**1,279**	**640**	**1,378**	**-**	**-**	**3,297**
Accrued and other current liabilities	**619**	**129**	**2,225**	**-**	**-**	**2,973**
	1,898	**769**	**3,603**	**-**	**-**	**6,270**
2016						
Accrued and other current liabilities	-	-	2,032		-	2,032

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

d) Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group considers share capital, retained earnings and statutory reserve as Group's capital. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

29 Appropriation of net income

On October 23, 2016, corresponding to Muharam 22, 1438 H, the Board of Directors of the Company proposed cash dividends to shareholders of Saudi Riyals 0.5 per share for the year ended December 31, 2016 amounting to Saudi Riyals 34.6 million, which represents 5% of total paid up capital.

On November 12, 2016 corresponding to Safar 12, 1438 H, the Board of Directors of the Company have agreed to increase the proposed cash dividends earlier declared on October 23, 2016 from Saudi Riyals 0.5 per share to Saudi Riyals 1 per share to have total amount of proposed cash dividends of Saudi Riyals 69.2 million, which represents 10% of total paid up capital. The proposed dividend has been approved by the Company's shareholders later in their meeting held on June 14, 2017, corresponding to Ramadan 19, 1438H. The dividend was subsequently paid on July 17, 2017, corresponding to Shawwal 23, 1438H.

30 Non-cash transactions

Details of major non-cash transactions are as follows:

	Note	2017	2016
De-recognition of carrying value of equity accounted investee	9	**9,055**	-
Consideration towards acquisition of subsidiary adjusted against 'due from related party'	9	**9,052**	-
Transfer of employee defined benefit liabilities to a related party	16	**1,010**	-
Dividends payable to shareholders		**1,040**	-

31 Contingencies and commitments

See Note 19 for zakat contingency and commitments given by the Company.