ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2017

ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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Independent auditors' review report on the interim condensed consolidated financial statements

To the shareholders of Astra Industrial Group Company

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Astra Industrial Group Company ("the Company") – A Saudi Joint Stock Company - and its subsidiaries (collectively referred to as "the Group") as at 30 June 2017, and the related interim condensed consolidated statements of income, comprehensive income, for the three and six month periods ended 30 June 2017, and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

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

for Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

17 Dhul-Qadah 1438H
9 August 2017
Riyadh

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of income
For the six months period ended 30 June 2017

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2017	2016	**2017**	2016
		SAR	SAR	**SAR**	SAR
			(Note 3)		(Note 3)
Revenues		**428,516,039**	444,562,686	**940,945,338**	947,873,504
Cost of revenues		**(229,600,344)**	(254,388,710)	**(521,106,430)**	(533,162,870)
Gross profit		**198,915,695**	190,173,976	**419,838,908**	414,710,634
Selling and distribution expenses		**(123,621,066)**	(104,397,236)	**(242,796,942)**	(213,775,901)
General and administrative expenses		**(57,657,892)**	(50,007,686)	**(111,325,872)**	(100,197,890)
Research expenses		**(4,516,496)**	(4,642,535)	**(10,237,587)**	(11,135,818)
Income from operations		**13,120,241**	31,126,519	**55,478,507**	89,601,025
Share in loss in a joint venture and an associate	5	**(8,741,500)**	(15,011,986)	**(25,231,441)**	(32,584,513)
Finance costs	6	**(15,042,679)**	(12,811,856)	**(32,273,365)**	(29,268,328)
Other income	14	**27,395,461**	16,470,496	**47,385,367**	15,212,885
Income before zakat and income tax		**16,731,523**	19,773,173	**45,359,068**	42,961,069
Zakat and income tax expense	10	**(8,976,726)**	(28,599,105)	**(16,538,553)**	(36,730,353)
Income (loss) for the period		**7,754,797**	(8,825,932)	**28,820,515**	6,230,716
Attributable to:					
Equity holders of the parent		**6,999,072**	(10,601,626)	**26,737,678**	2,194,846
Non-controlling interests		**755,725**	1,775,694	**2,082,837**	4,035,870
		7,754,797	(8,825,932)	**28,820,515**	6,230,716
Earnings per share:	8				
Basic and diluted, income from operations per share		**0.16**	0.39	**0.69**	1.12
Basic and diluted, income (loss) for the period per share attributable to equity holders of parent		**0.09**	(0.13)	**0.33**	0.03

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of comprehensive income
For the six months period ended 30 June 2017

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2017	2016	**2017**	2016
		SAR	SAR	**SAR**	SAR
			(Note 3)		(Note 3)
Income (loss) for the period		**7,754,797**	(8,825,932)	**28,820,515**	6,230,716
Other comprehensive income (loss) to be reclassified to income in subsequent periods:					
Exchange differences on translation of foreign operations		**6,398,470**	(1,555,495)	**2,160,405**	(12,848,055)
Other comprehensive income (loss) not to be reclassified to income in subsequent periods:					
Re-measurement income (loss) on defined benefit plans		**41,252**	(130,964)	**31,369**	(227,666)
Total comprehensive income (loss) for the period		**14,194,519**	(10,512,391)	**31,012,289**	(6,845,005)
Attributable to:					
Equity holders of the parent		**12,394,966**	(12,950,713)	**28,029,893**	(11,359,080)
Non-controlling interests		**1,799,553**	2,438,322	**2,982,396**	4,514,075
		14,194,519	(10,512,391)	**31,012,289**	(6,845,005)

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of financial position
As at 30 June 2017

	Notes	30 June 2017 SAR	31 December 2016 SAR (Note 3)
Assets			
Non-current assets			
Property, plant and equipment	7	890,551,641	842,964,651
Intangible assets - Goodwill		25,206,754	25,206,754
Other Intangible assets		4,513,556	6,278,724
Due from related parties	9	176,733,418	178,820,833
Investment in joint venture and associate	5	163,371,104	196,082,844
		1,260,376,473	1,249,353,806
Current assets			
Inventories, net		503,469,266	519,161,933
Trade receivables, net		953,397,166	889,694,530
Due from related parties	9	160,514,711	137,474,371
Prepayments and other current assets		182,436,866	175,641,212
Cash and cash equivalents		151,291,978	152,264,796
		1,951,109,987	1,874,236,842
Total assets		3,211,486,460	3,123,590,648

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position
As at 30 June 2017

	Notes	30 June 2017 SAR	31 December 2016 SAR (Note 3)
Equity and liabilities			
Equity			
Issued capital	11	**800,000,000**	800,000,000
Statutory reserve	12	**406,568,677**	406,568,677
Retained earnings		**138,738,792**	151,969,745
Foreign currency translation reserve		**(123,248,027)**	(124,508,873)
Equity attributable to equity holders of the parent		**1,222,059,442**	1,234,029,549
Non-controlling interests		**28,067,507**	25,085,111
Total equity		**1,250,126,949**	1,259,114,660
Non-current liabilities			
Long-term loans	6	**573,399,996**	594,702,500
Due to related parties	9	**54,406,349**	54,406,349
Net employee defined benefit liabilities		**131,312,496**	124,917,293
		759,118,841	774,026,142
Current liabilities			
Trade and other payables		**186,818,165**	142,738,870
Short-term loans and borrowings	6	**438,310,245**	358,945,790
Current portion of long-term loans	6	**183,640,000**	183,640,000
Due to related parties	9	**8,394,526**	11,359,825
Zakat and income tax payable	10	**142,447,318**	151,333,894
Accrued expenses and other current liabilities		**242,630,416**	242,431,467
		1,202,240,670	1,090,449,846
Total liabilities		**1,961,359,511**	1,864,475,988
Total equity and liabilities		**3,211,486,460**	3,123,590,648

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity
For the six months period ended 30 June 2017

	Attributable to equity holders of the parent						
	Issued capital SAR	Statutory reserve SAR	Retained earnings SAR	Foreign currency translation reserve SAR	Total SAR	Non-controlling interest SAR	Total equity SAR
As at 1 January 2017	800,000,000	406,568,677	151,969,745	(124,508,873)	1,234,029,549	25,085,111	1,259,114,660
Income for the period	-	-	26,737,678	-	26,737,678	2,082,837	28,820,515
Other comprehensive income	-	-	31,369	1,260,846	1,292,215	899,559	2,191,774
Total comprehensive income	-	-	26,769,047	1,260,846	28,029,893	2,982,396	31,012,289
Dividends (note 19)	-	-	(40,000,000)	-	(40,000,000)	-	(40,000,000)
As at 30 June 2017	800,000,000	406,568,677	138,738,792	(123,248,027)	1,222,059,442	28,067,507	1,250,126,949

	Attributable to equity holders of the parent						
	Issued capital SAR	Statutory reserve SAR	Retained Earnings SAR	Foreign currency Translation Reserve SAR	Total SAR	Non-controlling interest SAR	Total equity SAR
As at 1 January 2016	800,000,000	406,568,677	245,773,646	-	1,452,342,323	16,878,978	1,469,221,301
Income for the period	-	-	2,194,846	-	2,194,846	4,035,870	6,230,716
Other comprehensive loss	-	-	(227,266)	(13,326,660)	(13,553,926)	478,205	(13,075,721)
Total comprehensive loss	-	-	1,967,580	(13,326,660)	(11,359,080)	4,514,075	(6,845,005)
As at 30 June 2016	800,000,000	406,568,677	247,741,226	(13,326,660)	1,440,983,243	21,393,053	1,462,376,296

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of cash flows
For the six months period ended 30 June 2017

	Notes	30 June 2017 SAR	30 June 2016 SAR
Operating activities			
Income before zakat and income tax		**45,359,068**	42,961,069
Non-cash adjustments to reconcile Income before zakat and income tax to net cash flows from operating activities			
Depreciation of property, plant and equipment	7	**29,899,625**	26,941,697
Amortisation		**1,915,036**	2,318,370
Finance costs		**32,273,365**	29,268,328
Employee defined benefit cost		**11,420,558**	11,147,421
Working capital adjustments:			
Increase in trade receivables		**(63,702,636)**	(81,118,134)
Increase in due from related parties		**(20,952,925)**	(49,830,412)
Decrease in inventories		**15,692,667**	52,965,403
(Increase) decrease in prepayments and other current assets		**(6,795,654)**	4,594,255
Increase in trade and other payables		**44,079,295**	30,381,706
Decrease in due to related parties		**(2,965,299)**	(2,108,454)
Increase in accrued expenses and other current liabilities		**198,950**	39,429,533
		86,422,050	106,950,782
End of service benefits paid		**(4,993,986)**	(4,221,597)
Finance costs paid		**(32,273,365)**	(29,268,328)
Zakat and income tax paid	10	**(25,425,129)**	(13,248,559)
Net cash flows from operating activities		**23,729,570**	60,212,298
Investing activities			
Investments in associates and a joint venture		**32,711,740**	30,454,262
Purchase of property, plant and equipment	7	**(77,818,294)**	(91,678,542)
Proceeds from sale of property, plant and equipment		**331,679**	211,312
Other intangible assets		**(149,868)**	(3,578,389)
Net cash flows used in investing activities		**(44,924,743)**	(64,591,357)
Financing activities			
Net movement in short-term loans and borrowings		**79,364,455**	12,233,031
Net movement in long-term loan		**(21,302,504)**	(38,240,079)
Dividends		**(40,000,000)**	-
Non-controlling interest, net.		**899,558**	478,211
Net cash flows from (used in) financing activities		**18,961,509**	(25,528,837)
Net decrease in cash and cash equivalents		**(2,233,664)**	(29,907,896)
Cash and cash equivalents at 1 January		**152,264,796**	289,712,128
Net foreign exchange difference		**1,260,846**	(13,326,660)
Cash and cash equivalents at 30 June		**151,291,978**	246,477,572

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

1 ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the "Company") is a Saudi Joint Stock Company licensed under foreign investment license number 030114989-01 issued in Riyadh by Saudi Arabian General Investment Authority (SAGIA) and operating under commercial registration number 1010069607 issued in Riyadh on 9 Muharram 1409H (22 August 1988). The address of the Group's head office is as follows:

Astra Industrial Group
P.O. Box 1560
Riyadh 11441
Kingdom of Saudi Arabia (KSA)

The Group is engaged in the following activities:

a) Building, managing, operating and investing in industrial plants after obtaining approvals from the Saudi Arabian General Investment Authority (SAGIA) for each project.
b) The wholesale and retail trade in clothing, towels, blankets, fertilizers, animal feed, insecticides, irrigation equipment, agricultural machinery and equipment, greenhouses, agricultural and animal products and gardening contracts.

The principal activities of the subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Metal based construction of industrial buildings and building frames.
- Production of compounded fertilizers and agriculture pesticides and the wholesale and retail trading of fertilizers, forages and insecticides. Also, execution of agricultural projects contracts.
- Production of steel pallets and steel rebar and generation of the required power of such activity.
- Exploration of all ores and minerals in all regions of the Kingdom of Saudi Arabia except for those land and marine areas that ate out of the scope of application of the mining investment regulations as stipulated in Article (8) of the said regulation.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS), "Interim Financial Reporting" ("IAS 34") as endorsed in KSA, for part of the period covered by the first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA"), and accordingly IFRS 1 "First-time Adoption of International Financial Reporting Standards" endorsed in KSA has been applied. Refer to Note 3 for further information.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS as endorsed in KSA, which would be prepared for the year ending 31 December 2017.

These interim condensed consolidated financial statements have been prepared under the historical cost convention. The interim condensed consolidated financial statements are presented in Saudi Riyals and all values are rounded to the nearest one Saudi Riyal, except when otherwise indicated.

Results for the interim reporting period are not necessarily indicative of future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The subsidiary companies incorporated into these interim condensed consolidated financial statements are as follows:

Subsidiary Company	*Country of incorporation*	*Percentage of ownership (directly or indirectly) %*	
		30 June 2017	31 December 2016
Tabuk Pharmaceutical Manufacturing Company ("TPMC") TPMC has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Tabuk Pharmaceutical Research Company	The Hashemite Kingdom of Jordan	**100**	100
- Tabuk Pharmaceutical Company Limited	Republic of the Sudan	**100**	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	**100**	100
- Tabuk Eurl Algeria	People's Democratic Republic of Algeria	**100**	100
- Al Bareq Pharmaceutical Manufacturing Factory Company Limited	Kingdom of Saudi Arabia	**100**	100
Astra Polymer Compounding Company Limited ("Polymer") Polymer has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi.	Republic of Turkey	**100**	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	**100**	100
- Astra Specialty Compounds India Private Limited	Republic of India	**100**	100
International Building Systems Factory Company Limited ("IBSF") IBSF has the following subsidiary:	Kingdom of Saudi Arabia	**100**	100
- Astra Heavy Industries Factory Limited ("AHI")	Kingdom of Saudi Arabia	**100**	100
Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem") AstraChem has the following foreign subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- AstraChem Saudia	People's Democratic Republic of Algeria	**100**	100
- AstraChem Morocco	Kingdom of Morocco	**100**	100
- Aggis International Limited	British Virgin Islands	**100**	100
- AstraChem Turkey	Republic of Turkey	**100**	100
- AstraChem Syria	Syrian Arab Republic	**100**	100
- AstraChem Tashqand	Republic of Uzbekistan	**100**	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	The Hashemite Kingdom of Jordan	50	50
- Astra Nova, Turkey	Republic of Turkey	**92.4**	92.4
- AstraChem Ukraine Ltd.	Ukraine	**100**	100

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Subsidiary Company	*Country of incorporation*	*Percentage of ownership (directly or indirectly) %*	
		30 June 2017	31 December 2016
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	**100**	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	**100**	100
Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	**99**	99
Green Highland Seeds Company Limited - Jordon	The Hashemite Kingdom	**100**	100
Astra Energy LLC ("Astra Energy")	The Hashemite Kingdom		
Astra Energy has the following subsidiary:	of Jordan	**76**	76
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	**100**	100
Astra Mining Company Limited ("Astra Mining")	Kingdom of Saudi Arabia	**60**	60

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2017.

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 returns

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Income and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Financial statements of subsidiaries are prepared using accounting policies which are consistent with those of the Group. 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 in interim condensed consolidated statement of income. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

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

2.3.1 Business combination and goodwill

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

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 interim condensed consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.1 Business combination and goodwill (continued)

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

Where goodwill has been allocated to a 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 of the operation. 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.

2.3.2 Investments in associates and joint venture

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 whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associates 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 interim condensed consolidated statement of income reflects the Group's share of the results of operations of the associates and joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates 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 associates 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 associates or joint venture is shown on the face of the interim condensed consolidated statement of income outside operating profit and represents profit or loss and non- controlling interests in the subsidiaries of the associate or joint venture, if any.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.2 Investments in associates and joint venture (continued)

The financial statements 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 investments in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as 'Share of profit of an associates' in the interim condensed consolidated statement of income.

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

2.3.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.4 Revenue recognition (continued)

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

2.3.4.1 Sale of goods

Sale of goods represent the invoiced value of goods supplied and services rendered by the Group during the year. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The Group provides normal warranty provisions on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold.

2.3.4.2 Revenue from contracted services

Revenues from rendering of services are recognised when contracted services are performed. Contract revenue includes the unbilled contract revenue during the period. For long term contracts, revenue is recognised on the basis of costs incurred to date, using the percentage of completion method. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated cost for each contract. In the case of unprofitable contracts, provision is made for foreseeable losses in full. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2.3.4.3 Royalty and other income

Royalty income is generated from providing right to use Group's production facilities and related royalty income is recognized on an accrual basis in accordance with the substance of agreements. Other income includes income from toll manufacturing including income from product repackaging for third parties. Some arrangements include collection of receipts on behalf of third parties.

2.3.5 Foreign currencies

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

2.3.5.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.5.1 Transactions and balances (continued)

Differences arising on settlement or translation of monetary items are recognised in interim condensed consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to interim condensed statement of income. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in OCI.

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

2.3.5.2 Group companies

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

2.3.6 Zakat and income tax

2.3.6.1 Current income tax

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

2.3.6.2 Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

2.3.6.2 Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arragements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

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

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

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

2.3.6.3 Zakat

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. The liability is charged to interim condensed consolidated statement of income.

2.3.7 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for land and construction work in progress which are stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for qualifying assets if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in the interim condensed consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgements, estimates and assumptions (Note 4).

Contributions by customers of items of property, plant and equipment received, which require an obligation to supply goods to the customer in the future, are recognised at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made. Revenue is subsequently recognised over the contractual period, in the absence of which revenue is recognised over the useful lives of the transferred assets. In the absence of an ongoing obligation to supply goods in future, contributions are recognised as revenue immediately.
A units of production method of depreciation is applied to:

- Operations in their startup phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.
- In cases where the Unit of Production method will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets over their remaining useful life than the Straight-Line Method.

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

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

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

2.3.7 Property, plant and equipment (continued)

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

2.3.8 Leases

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

2.3.8.1 Group as a lessee

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

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

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

2.3.8.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.9 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortization.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.10 Borrowing costs

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

2.3.11 Intangible assets

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

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

Intangible assets with finite lives are amortised over their useful economic lives, which ranges from 4 to 7 years, 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 accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the interim condensed consolidated statement of income in the expense category consistent with the function of the intangible assets.

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

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

Research costs

Research costs are expensed as incurred.

Patents and licences

The Group made upfront payments to purchase patents and licences. The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licences. The licences may be renewed at little or no cost to the Group. As a result, the licences are assessed as having an indefinite useful life.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.11 Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets is as follows:

	Licences	Patents
Useful lives	Finite (5-10 years)	Finite (10 years)
Amortisation method used	Amortised on a straight- line basis over the period of the patent	Amortised on a straight- line basis over the period of the patent
Internally generated or acquired	Acquired	Acquired

2.3.12 Financial instruments:

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.

2.3.12.1 Financial assets

2.3.12.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available for Sale (AFS) financial assets. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

2.3.12.1.2 Subsequent measurement

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

2.3.12.1.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'.

2.3.12.1.4 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 cost in the interim condensed consolidated statement of income, except for short-term receivables when the recognition of interest would be immaterial. The losses arising from impairment are recognised in the interim condensed consolidated statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables.

2.3.12.1.4 Loans and receivables (continued)

Effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2.3.12.1.5 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

2.3.12.1.6 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SIGNIFICANT ACCOUNTING POLICIES

2.3.12.1.7 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the interim condensed consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the interim condensed consolidated statement of income. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in interim condensed consolidated statement of income
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2.3.12.2 Financial liabilities

2.3.12.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

2.3.12.2.2 Subsequent measurement

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

2.3.12.2.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.3.12.2.3 Financial liabilities at fair value through profit or loss (continued)

Gains or losses on liabilities held-for-trading are recognised in the interim condensed consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss 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 liabilities as at fair value through profit or loss.

2.3.12.2.4 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the interim condensed consolidated statement of income when the liabilities are derecognised as well as through the EIR method amortisation process.

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

This category generally applies to interest-bearing loans and borrowings, and trade and other payables (liabilities recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.)

2.3.12.2.5 Derecognition

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

2.3.13 Offsetting of financial instruments

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

2.3.14 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw and packing materials, spare parts, consumables and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads based on normal level of activity. When inventories become old or obsolete, a provision for slow moving and obsolete inventories is provided and charged to the interim condensed consolidated statement of income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.15 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 CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the interim condensed consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

2.3.16 Impairment of Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.17 Impairment of intangible assets with indefinite useful lives

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

2.3.18 Cash and cash equivalents

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

For the purpose of the interim condensed consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, as they are considered an integral part of the Group's cash management.

2.3.19 Expenses

Selling and marketing expenses are those that mainly relate to salesmen and sales department. All other expenses are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

2.3.20 Cash dividend and non-cash distribution to equity holders of the parent

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the interim condensed consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.21 Provision

2.3.21.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim condensed consolidated statement of income net of any reimbursement, if any. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.21.2 Net employee defined benefit liabilities

The Group operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to interim condensed consolidated statement of income in subsequent periods. Re-measurements are not reclassified to interim condensed consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administration expenses' and 'selling and distribution expenses' in the interim condensed consolidated statement of income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3 First time adoption of IFRS

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA ("SOCPA GAAP"). The Group has applied the IFRS as endorsed in KSA for the preparation of its consolidated financial statements for the period beginning 1 January 2017, as well as for presenting the relevant comparative period data. Accordingly, these interim condensed consolidated financial statements are prepared in accordance with the IFRS as endorsed in KSA.

In compliance with requirements of IFRS 1 endorsed in KSA, the Group's opening statement of condensed consolidated financial position was prepared as at 1 January 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has analysed the impact on the statement of condensed consolidated financial positions as at 1 January 2016, 31 December 2016 and also the interim considered consolidated financial statements for the three months and six months period ended 30 June 2016. The significant adjustments in transitioning from SOCPA GAAP to IFRS as endorsed in KSA as at 1 January 2016 and 31 December 2016 have been disclosed in the interim condensed consolidated financial statements for the three months period ended 31 March 2017.

Significant adjustments in transition from SOCPA GAAP to IFRS as endorsed in KSA are as follows;

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

The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. The use of this exemption means that the SOCPA GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the SOCPA GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.
- The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

3. First time adoption of IFRS (continued)

3.1 Group reconciliation of equity as at 30 June 2016

	Notes	SOCPA GAAP SAR	Re-classification SAR	Re-measurement SAR	Effect of deconsolidation of a subsidiary SAR (Note 3-C)	IFRS as endorsed in KSA SAR
Equity						
Issued capital		800,000,000	-	-	-	**800,000,000**
Statutory reserve		406,568,677	-	-	-	**406,568,677**
Retained earnings	A B C D E	650,198,977	(14,338,537)	(388,119,214)	-	**247,741,226**
Foreign currency translation reserve	B	(119,211,457)	-	105,884,797	-	**(13,326,660)**
Effect of acquisition transaction with Non-controlling interest without change in control	D	(14,338,537)	14,338,537	-	-	**-**
Equity attributable to equity holders of the parent		1,723,217,660	-	(282,234,417)	-	**1,440,983,243**
Non-controlling interests	C	(349,671,265)	-	407,132	370,657,186	**21,393,053**
Total equity		1,373,546,395	-	(281,827,285)	370,657,186	**1,462,376,296**

3. First time adoption of IFRS (continued)

3.2 Group reconciliation of statement of income for the three months period ended 30 June 2016

	Notes	SOCPA GAAP SAR	Re-measurement SAR	Effect of deconsolidation of a subsidiary SAR (Note 3-C)	IFRS as endorsed in KSA SAR
Revenue	C	448,473,384	-	(3,910,698)	444,562,686
Cost of revenue	A, C	(283,739,821)	(1,742,012)	31,093,123	(254,388,710)
Gross profit		**164,733,563**	**(1,742,012)**	**27,182,425**	**190,173,976**
Selling and distribution expenses	A, C	(103,267,393)	(1,253,986)	124,143	(104,397,236)
General and administrative expenses	A, C	(52,269,728)	(1,128,350)	3,390,392	(50,007,686)
Research and development expenses	A	(4,592,530)	(50,005)	-	(4,642,535)
Income from operations		**4,603,912**	**(4,174,353)**	**30,696,960**	**31,126,519**
Share in loss of a joint venture		-	-	(15,011,986)	(15,011,986)
Finance costs	C	(15,979,207)	-	3,167,351	(12,811,856)
Other income	C	9,702,068	-	6,768,428	16,470,496
(Loss) / income before zakat and income tax expense		**(1,673,227)**	**(4,174,353)**	**25,620,753**	**19,773,173**
Zakat and income tax expense	E	-	(28,599,105)	-	(28,599,105)
Loss for the period		**(1,673,227)**	**(32,773,458)**	**25,620,753**	**(8,825,932)**
Attributable to:					
Equity holders of the parent		22,181,097	(32,782,723)	-	(10,601,626)
Non-controlling interests		(23,854,324)	9,265	25,620,753	1,775,694
		(1,673,227)	**(32,773,458)**	**25,620,753**	**(8,825,932)**

3. First time adoption of IFRS (continued)

3.3 Group reconciliation of total comprehensive income for the three months period ended 30 June 2016

	Notes	SOCPA GAAP SAR	Re-measurement SAR	Effect of deconsolidation of a subsidiary SAR (Note 3-C)	IFRS as endorsed in KSA SAR
Other comprehensive income					
Loss for the period	C	-	(34,446,685)	25,620,753	(8,825,932)
Other comprehensive loss to be reclassified to income in subsequent periods:					
Exchange differences on translation of foreign operations	B	-	(1,555,495)	-	(1,555,495)
Other comprehensive loss not to be reclassified to income in subsequent periods:					
Re-measurement losses on defined benefit plans	A	-	(130,964)	-	(130,964)
Total comprehensive loss for the period		**-**	**(36,133,144)**	**25,620,753**	**(10,512,391)**
Attributable to:					
Equity holders of the parent		-	(12,950,713)	-	(12,950,713)
Non-controlling interests		-	(23,182,431)	25,620,753	2,438,322
		-	**(36,133,144)**	**25,620,753**	**(10,512,391)**

3. First time adoption of IFRS (continued)

3.4 Group reconciliation of statement of income for the six months period ended 30 June 2016

	Notes	SOCPA GAAP SAR	Re-measurement SAR	Effect of deconsolidation of a subsidiary SAR (Note 3-C)	IFRS as endorsed in KSA SAR
Revenue	C	959,566,213	-	(11,692,709)	947,873,504
Cost of revenue	A, C	(603,296,407)	(25,984)	70,159,521	(533,162,870)
Gross profit		356,269,806	(25,984)	58,466,812	414,710,634
Selling and distribution expenses	A, C	(213,834,600)	(214,116)	272,815	(213,775,901)
General and administrative expenses	A, C	(106,288,455)	(734,432)	6,824,997	(100,197,890)
Research and development expenses	A	(11,123,192)	(12,626)	-	(11,135,818)
Income from operations		25,023,559	(987,158)	65,564,624	89,601,025
Share in loss of associates and a joint venture		-	-	(32,584,513)	(32,584,513)
Finance costs	C	(35,696,874)	-	6,428,546	(29,268,328)
Other income	C	984,256	-	14,228,629	15,212,885
(Loss) income before zakat and income tax expense		(9,689,059)	(987,158)	53,637,286	42,961,069
Zakat and income tax expense	E	-	(36,730,353)	-	(36,730,353)
(Loss) income for the period		(9,689,059)	(37,717,511)	53,637,286	6,230,716
Attributable to:					
Equity holders of the parent		40,334,579	(38,139,733)	-	2,194,846
Non-controlling interests		(50,023,638)	422,222	53,637,286	4,035,870
		(9,689,059)	(37,717,511)	53,637,286	6,230,716

3. First time adoption of IFRS (continued)

3.5 Group reconciliation of total comprehensive income for the six months period ended 30 June 2016

	Notes	SOCPA GAAP SAR	Re-measurement SAR	Effect of deconsolidation of a subsidiary SAR (Note 3-C)	IFRS as endorsed in KSA SAR
Other comprehensive loss					
income for the period	C	-	(47,406,570)	53,637,286	6,230,716
Other comprehensive loss to be reclassified to income in subsequent periods:					
Exchange differences on translation of foreign operations	B	-	(12,848,055)	-	(12,848,055)
Other comprehensive loss not to be reclassified to income in subsequent periods:					
Re-measurement losses on defined benefit plans	A	-	(227,666)	-	(227,666)
Total comprehensive loss for the period		-	(60,482,291)	53,637,286	(6,845,005)
Attributable to:					
Equity holders of the parent		-	(11,359,080)	-	(11,359,080)
Non-controlling interests		-	(49,123,211)	53,637,286	4,514,075
		-	(60,482,291)	53,637,286	(6,845,005)

3. First time adoption of IFRS (continued)

EXPLANATION OF TRANSITION TO IFRS

A - Net employee defined benefit liabilities

Under SOCPA GAAP, the Group recognized costs related to post-employment benefits of employees as current value of the vested benefits to which an employee is entitled. Under IFRS as endorsed in KSA, such liabilities are recognized on actuarial basis under projected unit of credit method. As at 1 January, 2016, the difference between the provision as per SOCPA GAAP and provision as per actuarial valuation is SAR 19 million (30 June 2016: SAR 20 million, 31 December 2016: SAR 16 million) is recognized in retained earnings.

B – Foreign currency translation

The Group has opted for the exemption provided in IFRS 1" First-time Adoption of International Financial Reporting Standards" where:

a) the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRSs; and
b) the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRSs and shall include later translation differences

The cumulative translation difference amounting to SAR 106 million as at 1 January 2016 were assumed zero by applying the above exemption.

C – Deconsolidation of a subsidiary

As part of the conversion process, the Group has reassessed the accounting of its subsidiaries, and as result, and based on new information that came to the attention of the management, it has concluded that the Group did not exercise control over Al-Tanmiya Company for Steel Manufacturing (Al-Tanmiya). Accordingly, Al-Tanmiya was accounted for as a joint venture, given that the Group has a joint control over this entity. After the application of the equity method at the date of transition, the Group has considered a loan to Al-Tanmiya of SAR 580.6 M, as part of the carrying value of its investment in this entity, and determined that it is necessary to write-down this investment by SAR 245 M as part of opening retained earnings (refer to Note 5).

D – Effect of acquisition transaction with non-controlling interest without change in control

On date of transition, the Group has reclassified effect of acquisition transaction with non-controlling interest, which was shown as a separate item in equity, amounting to SAR 14 million to retained earnings.

E – Zakat and income tax expense

Under the revised Zakat and tax standard under IFRS as endorsed in KSA, zakat and tax is considered as the Group's expense and accordingly comparative interim condensed statement of income is re-measured resulting in zakat and income tax charge of SAR 141 million for the year 31 December 2016 (SAR 32 million relates to charge for the year and SAR 109 million relates to the assessment of the prior years) and SAR 36.7 million in the period ended 30 June 2016.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated 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. The estimates at 30 June 2017 are consistent with those made for the 1 January 2016 and 30 June 2016 in accordance with SCOPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the employee defined benefits. The estimates used by the Group to present these amounts in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2016, the date of transition to IFRS as endorsed in KSA and as of 30 June 2017.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, and 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.

4.1 Defined benefit plan

The cost of defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

4.2 Going concern

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, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.3 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4.4 Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of the past due.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

4.5 Impairment of inventories

Inventories are held at the lower of cost or market value. When inventories become old or obsolete, an estimate is made for their market value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

4.6 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU 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 DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most 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.

4.7 Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments

4.8 Hyperinflationary Economies

In hyperinflationary economies, when translating the results of operations into Saudi Riyals, assets, liabilities, statement of profit and equity accounts are translated at the rates prevailing on the reporting date. Sudan was considered to be a hyperinflationary economy during the period ended 30 June 2017. The effect of using the prevailing rate in Sudan for the period ended 30 June 2017 is immaterial.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such cumulative translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

5 INVESTMENT IN A JOINT VENTURE AND ASSOCIATE

The investment in a joint venture represents ownership interest of 51% in Al-Tanmiya Company for Steel Manufacturing ("Tanmiya").

Below is the fair carrying value of interest in joint venture and associate at the end of period/year.

Movement of the Group's share in the joint venture is as follows:

	30 June 2017 SAR	31 December 2016 SAR
Carrying value of investment in joint venture	161,503,662	194,066,054
Carrying value of investment in associate	1,867,442	2,016,790
	163,371,104	196,082,844

	30 June 2017 SAR	31 December 2016 SAR
Carrying value of investment value at beginning of the period/year	194,066,054	255,082,350
Share of losses during the period/year	(24,814,999)	(90,468,301)
Loan and other adjustments	(7,747,393)	29,452,005
Carrying value of investment at the end of the period/year	161,503,662	194,066,054
Following is the break-up of carrying value of investment		
Equity investment in the joint venture	(189,942,771)	(141,580,271)
Loan to the joint venture	596,446,433	580,646,325
Write-down of investment in the joint venture	(245,000,000)	(245,000,000)
Carrying value of investment at the end of the period/year	161,503,662	194,066,054
Investment movement in associate		
Carrying value of investment value at beginning of the period/year	2,016,790	1,452,850
Share of (losses) /profit during the period/year	(416,442)	292,544
Investment during the period	267,094	271,396
	1,867,442	2,016,790

Share in loss for joint venture declined in second quarter of this year due to reduction of losses in Al-Tanmiya.

IAS 16 (Property, Plant and Equipment) the disclosure of changes to the charge for depreciation arising from changes in estimate. The joint venture of group revised the depreciation method of certain plant and machinery from a straight line basis to a unit of production basis, with effect from April 1, 2017. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the share of loss in joint venture of the group for the three months ended 30 June 2017 has been decreased by SAR 7.14 million.

6 LOANS AND BORROWINGS

6.1 Long-term loan

The Group has a long-term Murabaha loan facility (the "facility") with a local bank to finance its capital expenditures. At the interim condensed consolidated statement of financial position date, SAR 757.04 million was utilised (31 December 2016: SAR 778.34 million) and SAR 3.93 million was undrawn (31 December 2016: SAR 3.93 million). The facility is primarily denominated in Saudi Riyal, secured by corporate guarantees and bears special commission charges at an agreed fixed rate plus SIBOR. The facility is repayable within six years by semi-annual equal installments from the date the facility was availed, including one year grace period.

As at the interim condensed consolidated balance sheet date, current portion of the long-term Murabaha facility mentioned above is SAR 183.64 million (31 December 2016: SAR 183.64 million).

6.2 Short term loans and borrowings

The Group has bank facilities in the form of murabaha, short-term tawaroq and other conventinal credit facilities to meet the working capital requirements. As at the interim condensed consolidated balance sheet date, SAR 438.31 million was utilised (31 December 2016: SAR 358.95 million) and SAR 530.99 million was undrawn (31 December 2016: SAR 900.45 million). The facilities bear special commission at prevailing market rates. These facilities are secured by corporate guarantees

7 PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Leasehold improvements*	*Machinery and equipment*	*Furniture, fixtures and office equipment*	*Vehicles*	*Projects under construction*	***Total 30 June 2017***	*Total 31 December 2016*
	SAR	*SAR*	*SAR*	*SAR*	*SAR*	*SAR*	*SAR*	***SAR***	*SAR*
Cost:									
At the beginning of the period/year	45,035,272	333,244,853	11,514,466	610,456,437	65,406,264	32,824,190	187,319,834	**1,285,801,316**	1,227,949,385
Additions	374,681	1,676,857	10,739	15,435,012	2,549,646	193,435	57,577,924	**77,818,294**	140,526,126
Transfers from projects under construction	65,855	176,614	-	3,597,934	983,751	-	(4,824,154)	**-**	-
Disposals/ written off	(204,868)	(31,055)	(19,148)	(974,940)	(37,725)	(840,879)	-	**(2,108,615)**	(82,674,195)
At the end of the period/year	**45,270,940**	**335,067,269**	**11,506,057**	**628,514,443**	**68,901,936**	**32,176,746**	**240,073,604**	**1,361,510,995**	1,285,801,316
Accumulated depreciation:									
At the beginning of the period/year	-	87,498,226	9,833,975	279,178,538	41,852,609	24,473,317	-	**442,836,665**	409,058,241
Charge for the year	-	8,546,884	254,621	12,057,988	7,222,243	1,817,889	-	**29,899,625**	52,522,172
Disposals/ written off	-	(30,078)	(15,336)	(920,509)	(21,149)	(789,864)	-	**(1,776,936)**	(18,743,748)
At the end of the period/year	-	96,015,032	10,073,260	290,316,017	49,053,703	25,501,342	-	**470,959,354**	442,836,665
Net book value:									
At 30 June 2017	**45,270,940**	**239,052,237**	**1,432,797**	**338,198,426**	**19,848,233**	**6,675,404**	**240,073,604**	**890,551,641**	
At 31 December 2016	45,035,272	245,746,627	1,680,491	331,277,899	23,553,655	8,350,873	187,319,834		842,964,651

8 EARNINGS PER SHARE

8.1 Basic and diluted, income from operations per share

Basic income from operations per share is calculated by dividing the income from operations for the period by the weighted average number of ordinary shares outstanding during the period. Diluted basic income from operations per share is calculated by dividing the income from operations for the year 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, if any.

8.2 Basic and diluted, earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the parent 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, if any.

The following table reflects the income and shares data used in the computations:

	For the three months period ended 30 June		*For the six months period ended 30 June*	
	2017	*2016*	*2017*	*2016*
	SAR	*SAR*	*SAR*	*SAR*
Income from operations	**13,120,241**	31,126,519	**55,478,507**	89,601,025
Weighted average number of ordinary shares	**80,000,000**	80,000,000	**80,000,000**	80,000,000
Basic and diluted, income from operations per share	**0.16**	0.39	**0.69**	1.12
Income (loss) attributable to equity holders of the parent	**6,999,072**	(10,601,626)	**26,737,678**	2,194,846
Weighted average number of ordinary shares	**80,000,000**	80,000,000	**80,000,000**	80,000,000
Basic and diluted, earnings per share	**0.09**	(0.13)	**0.33**	0.03

9 RELATED PARTY TRANSACTIONS AND BALANCES

The following table provides the total amount of transactions that have been entered into with related parties during the three months and six months period ended 30 June 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016:

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

	For the three months period ended 30 June		*For the six months period ended 30 June*	
	2017	*2016*	*2017*	*2016*
	SAR	*SAR*	*SAR*	*SAR*
Sales	**2,385,165**	1,826,570	**6,140,609**	4,729,499
Purchases	**6,010,505**	2,906,342	**9,281,866**	4,061,891
Finance costs	**4,906,233**	4,360,484	**9,695,372**	8,720,969

Transactions with key management personnel is summarized below:

	For the three months period ended 30 June		*For the six months period ended 30 June*	
	2017	*2016*	*2017*	*2016*
	SAR	*SAR*	*SAR*	*SAR*
Salaries and other allowances	**2,288,813**	1,746,889	**4,389,895**	3,703,778
Bonus	**478,162**	432,079	**947,778**	864,158
End of service benefits (Long-term)	**89,590**	78,119	**170,721**	160,674
	2,856,565	2,257,087	**5,508,394**	4,728,610

The breakdown of amounts due from and to related parties is as follows:

	30 June 2017	31 December 2016
	SAR	SAR
a) Due from related parties comprises of the following:		
Current		
Al-Tanmiya Company for Steel Manufacturing - Jordan (Joint Venture)	**148,469,260**	131,840,516
Astra Food Company – Saudi Arabia (Affiliate company)	**3,779,714**	2,243,363
Tamron Astra Bio-Chemicals Private Limited – India (Associate entity)	**2,800,875**	2,208,270
Others	**5,464,862**	1,182,222
	160,514,711	137,474,371
Non-current		
Al-Tanmiya Company for Steel Manufacturing - Jordan (Joint Venture)	**176,733,418**	178,820,833
b) Due to related parties comprises of the following:		
Current		
Tharawat Mining Company – Saudi Arabia (partner in a subsidiary)	**7,667,095**	7,629,345
Nour Communications Company – Saudi Arabia (Affiliate company)	**191,429**	2,163,230
Others	**536,002**	1,567,250
	8,394,526	11,359,825
Non-current		
Al Maseera International Company – Saudi Arabia (partner in a joint venture)	**54,406,349**	54,406,349

10 ZAKAT AND INCOME TAX

Components of zakat base

The Group's Saudi Arabian subsidiaries file separate zakat and income tax declarations on separate set of financial statements basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of equity, provisions at the beginning of year and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

	Zakat *SAR*	*Income Tax* *SAR*	*Total* *SAR*
Movement for the six months period ended 30 June 2017			
At the beginning of the period	**125,472,694**	**25,861,200**	**151,333,894**
Provided during the period	**16,538,553**	**-**	**16,538,553**
Paid during the period	**(24,278,624)**	**(1,146,505)**	**(25,425,129)**
At the end of the period	**117,732,623**	**24,714,695**	**142,447,318**
Movement for the six months period ended 30 June 2016			
At the beginning of the period	26,519,297	6,354,028	32,873,325
Provided during the period	30,091,443	6,638,910	36,730,353
Payments during the period	(10,206,312)	(3,042,247)	(13,248,559)
At the end of the period	46,404,428	9,950,691	56,355,119

Statue of assessments

The Company and its subsidiaries have filed zakat/income tax returns for the years through 31 December 2016. The following are the final zakat and income tax assessments of the Company and its local subsidiaries that have been agreed with the General Authority of Zakat and Tax ("GAZT") as of 30 June 2017:

Name of Subsidiary/company	***Final Zakat assetments***
Astra Industrial Group Company*	2003
Tabuk Pharmaceutical Manufacturing Company	2002
Astra Polymer Compounding Company Limited	2002
International Building Systems Factory Company Limited	2002
Astra Industrial Complex Ltd. for Fertilizers and Agrochemicals	2004
Astra Mining Company Limited	Not yet issued
Astra Heavy Industries Factory Company Limited	Not yet issued

* As per GAZT letter dated 2 Muhurram 1438H (corresponding to 3 October 2016), the GAZT has finalised Zakat assessment for the years 2004 to 2013 for Astra Industrial Group Company. The letters showed an additional Zakat and tax assessment of SAR 67.78 million. The Company has filed an appeal against GAZT assessments. The Company has paid SAR 1.28 million to the GAZT out of total additional assessment. During the second quarter, and as a result of the Company's appeal, the GAZT has issued revised assessments for the years 2004 to 2013. The revised assessment for the years 2004 to 2013 showed zakat and tax liabilities of SR 40.4 million which the company has provided for in full. The Company is in the process of contesting against this revised assessment.

11 ISSUED CAPITAL

The share capital of the Company as of 30 June 2017 comprises of 80,000,000 shares (31 December 2016: 80,000,000 shares) of SAR 10 each. The share capital is held as follows:

	30 June 2017	31 December 2016
Saudi founding shareholders	**60.73%**	64.25%
Non-Saudi founding shareholders	-	4.52%
Public	**39.27%**	31.23%
	100.00%	100.00%

12 STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals at least 50% of the share capital. The statutory reserve in the accompanying interim condensed consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances and cash, receivables and amount due from related parties. Its financial liabilities consist of banks' short term and long term loans, payables, and amount due to related parties.

The management assessed that fair value of bank balances, trade and other receivables, amounts due from related parties, short term loans and other payables approximate their carrying amounts largely to the short-term maturities of these instruments.

The fair value of the Group's interest-bearing long term loans amounting to SR 757.04 million (31 December 2016: SR 778.34 million are determined by using discounted cash flows method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2017 and 31 December 2016 was assessed to be insignificant.

Fair value of long term loans falls under level 3 of the fair value measurement hierarchy. The Group does not hold other financial liabilities where fair value is determined using significant unobservable inputs.

14 OTHER INCOME, NET

	For the three months period ended 30 June		*For the six months period ended 30 June*	
	2017	*2016*	*2017*	*2016*
	SR	*SR*	***SR***	*SR*
Income from toll manufacturing and product licensing	**13,497,624**	20,602,121	**20,628,651**	26,329,137
Insurance claim*	**10,132,788**	-	**21,752,869**	-
Foreign exchange (losses) gains	**(67,713)**	(15,425,800)	**1,495,355**	(30,391,896)
Commission income from the joint venture		6,768,428		14,228,629
Others	**3,832,762**	4,525,747	**3,508,492**	5,047,015
	27,395,461	16,470,496	**47,385,367**	15,212,885

* During December 2016, a fire incident occurred in a plant in Dammam of Tabuk Pharmaceutical Manufacturing Company (a Subsidiary). The fire has damaged some of the equipment of the plant. The Subsidiary has received an advance insurance payment on its claim recovery that resulted in a compensation under business interruption claim of SAR 22 million.

15 SEGMENTAL REPORTING

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

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

Pharmaceutical

Pharmaceutical segment, which develops, manufactures, markets and distributes branded generic pharmaceuticals and under-licensed products globally.

Specialty chemical

Specialty chemical segment, which produces Masterbatch, dust-free additives and custom-made thermoplastic compounds plus liquid and paste colorants for polymer manufacturing, polymer converting and plastics processing industries in addition with manufacturing, importing and distributing a range of agrochemicals, fertilizers, public health and veterinary pesticides, seeds and other agricultural inputs.

Power and steel

Power and steel segment, which produces steel billets, pre-engineered steel buildings and steel structures and rebar for the construction industry.

Other

Other segment is the residual segment and comprises of Astra Industrial Group Holding Company and Astra Mining.

No operating segments have been aggregated to form the above reportable operating segments.

15 SEGMENTAL REPORTING (continued)

The Group's Executive Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim condensed consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group's consolidated revenues, gross profit, net income, property, plant and equipment, total assets and total liabilities by business segments, are as follows:

	Pharmaceuticals	*Specialty Chemical*	*Power and steel industries*	*Other*	*Elimination*	*Total*
	SAR	*SAR*	*SAR*	*SAR*	*SAR*	*SAR*
30 June 2017						
Revenues	**422,857,824**	**345,329,397**	**165,565,372**	**1,003,452**	**6,189,293**	**940,945,338**
Inter segment sales	-	-	**6,189,293**	-	**(6,189,293)**	-
Total Revenue	**422,857,824**	**345,329,397**	**171,754,665**	**1,003,452**	-	**940,945,338**
Gross profit	**262,550,147**	**106,020,899**	**51,540,173**	**(272,311)**	-	**419,838,908**
Depreciation and amortization	**18,599,126**	**7,407,319**	**4,336,519**	**1,471,697**	-	**31,814,661**
Share in loss in a joint venture and associates	-	**(416,442)**	**(24,814,999)**	-	-	**(25,231,441)**
Net income (loss) before zakat and tax	**32,408,382**	**37,808,831**	**(6,934,131)**	**(17,924,014)**	-	**45,359,068**
Property, plant and equipment	**508,964,449**	**174,002,558**	**100,082,060**	**107,502,584**	-	**890,551,651**
Total assets	**1,414,965,396**	**839,756,813**	**662,170,698**	**294,593,553**	-	**3,211,486,460**
Total liabilities	**886,949,144**	**464,213,842**	**268,882,893**	**341,313,632**	-	**1,961,359,511**

	Pharmaceuticals	*Specialty chemical*	*Power and steel industries*	*Other*	*Elimination*	*Total*
	SAR	*SAR*	*SAR*	*SAR*	*SAR*	*SAR*
30 June 2016						
Revenues	469,146,587	349,318,480	129,408,437	-	-	947,873,504
Inter segment sales	-	-	-	-	-	-
Total Revenue	**469,146,587**	**349,318,480**	**129,408,437**	-	-	**947,873,504**
Gross profit	275,064,163	105,972,000	33,674,471	-	-	414,710,634
Depreciation and amortization	16,096,627	7,166,456	4,150,698	1,846,286	-	29,260,067
Share in loss in a joint venture and associates	-	-	(32,584,513)	-	-	(32,584,513)
Net income (loss) before zakat	24,517,962	45,897,322	(21,055,534)	(6,398,681)	-	42,961,069
Property, plant and equipment	569,622,900	162,328,688	94,370,019	57,095,070	-	883,416,677
Total assets	1,649,637,133	849,559,133	646,447,928	300,032,075	-	3,445,676,269
Total liabilities	972,576,294	471,502,818	297,566,283	241,654,563	-	1,983,299,958
31 December 2016						
Total assets	1,362,925,630	790,619,317	678,232,822	291,812,879	-	3,123,590,648
Total liabilities	838,546,296	441,588,701	310,090,626	274,250,365	-	1,864,475,988

15 SEGMENTAL REPORTING (continued)

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq, Africa and other areas. Selected financial information as of 30 June and for the six months period then ended are summarised by geographic area, as follows:

	Kingdom of Saudi Arabia SAR	*Republic of Iraq SAR*	*Africa SAR*	*Other areas SAR*	*Total SAR*
30 June 2017					
Revenues	**631,303,809**	**25,242,448**	**62,360,528**	**222,038,553**	**940,945,338**
Total assets	**2,314,362,502**	**334,164,699**	**250,057,627**	**312,901,632**	**3,211,486,460**
30 June 2016					
Revenues	612,563,466	10,295,420	143,106,898	181,907,720	947,873,504
Total assets	2,480,197,240	299,080,632	400,283,383	266,115,014	3,445,676,269
31 December 2016					
Revenue	1,054,706,007	30,793,628	230,003,532	426,009,792	1,741,512,959
Total assets	2,274,026,882	320,470,892	253,377,703	275,715,171	3,123,590,648

16 CONTINGENCIES

As at 30 June 2017, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SAR 103.53 million (31 December 2016: SAR 80.40 million) and letters of guarantee amounting to SAR 206.92 million (31 December 2016: SAR 92.50 million).

17 COMMITMENTS

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at 30 June 2017 are amounting to SAR 50 million (31 December 2016: SAR 60 million).

18 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

18.1 IFRS 9 Financial Instruments

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

18.1.1 Classification and measurement:

The Group expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, in which case it believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

18.1.2 Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects no significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

18.1.3 Hedge accounting:

The Group is not having any hedge relationships and hence, Group does not expect an impact as a result of applying IFRS 9. The Group will assess possible changes related to the hedge accounting in more detail in the future.

18.2 IFRS 15 Revenue from Contracts with Customers:

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a so-called full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

18.2.1 Sale of goods:

Contracts with customers in which sale of goods is the only performance obligation are not expected to have any impact on the Group. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.
In applying IFRS 15, the Group considered the following:

18 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

18.2.2 Variable consideration:

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contact inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current IFRS.

18.2.3 Contract revenue:

The Group recognizes contract revenue which comprises the accrued value of work executed during the year. For long term contracts, revenue is recognised on the basis of costs incurred to date, using the percentage of completion method. In the case of unprofitable contracts, provision is made for foreseeable losses in full. As per initial assessment Group believe that IFRS 15 will not be effecting the Group revenue based on the point over time method of revenue recognition as per input method under IFRS 15.

18.3 IFRS 16 Leases:

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. The change is not expected to be significant.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. 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.

19 DIVIDENDS

The Annual General Assembly in its meeting held on 20 Sha'aban 1438H (corresponding 16 May 2017) approved the cash dividends of SR 40 million at SR 0.50 per share (2016: SR Nil) for distributions from the retained earnings.

20 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the board of directors on 17 Dhul-Qadah 1438H (9 August 2017).