

**BASIC CHEMICAL INDUSTRIES COMPANY**  
**(A Saudi Joint Stock Company)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018**  
**AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**BASIC CHEMICAL INDUSTRIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018**

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## *Report on review of Interim Financial Information*

To the shareholders of Basic Chemical Industries Company  
(A Saudi Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Basic Chemical Industries and its subsidiaries (the "Group") as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2018 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

Ali A. Alotaibi  
License Number 379

2 August 2018

**BASIC CHEMICAL INDUSTRIES COMPANY**

(A Saudi Joint Stock Company)

**Condensed consolidated interim statement of profit or loss and other comprehensive income**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2018	2017	2018	2017
Revenue	6	151,393,583	149,507,277	305,150,792	277,893,093
Cost of sales	6	(111,472,598)	(109,015,545)	(222,401,653)	(205,268,741)
Gross profit		39,920,985	40,491,732	82,749,139	72,624,352
Selling and distribution expenses		(10,755,916)	(12,206,285)	(23,382,938)	(24,604,003)
General and administrative expenses	6	(7,427,489)	(7,385,156)	(12,178,818)	(13,686,577)
Other operating income - net		1,160,288	2,746,013	2,671,053	2,372,799
Operating profit		22,897,868	23,646,304	49,858,436	36,706,571
Share in net (loss) profit of an associate accounted for using the equity method		-	(36)	-	53,731
Financial income		291,806	232,168	577,917	893,209
Profit before zakat and income tax		23,189,674	23,878,436	50,436,353	37,653,511
Zakat expense		(3,647,776)	(2,211,999)	(5,780,090)	(4,423,998)
Income tax expense		(1,768,829)	(1,344,164)	(3,537,658)	(2,688,328)
Profit for the period		17,773,069	20,322,273	41,118,605	30,541,185
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		17,773,069	20,322,273	41,118,605	30,541,185
Total comprehensive income for the period is attributable to:					
Shareholders of Basic Chemical Industries Company		12,996,652	12,520,431	29,009,425	18,442,572
Non-controlling interests		4,776,417	7,801,842	12,109,180	12,098,613
		17,773,069	20,322,273	41,118,605	30,541,185

**Earnings per share (Saudi Riyals)**

	7	0.47	0.46	1.05	0.67
Basic and diluted					

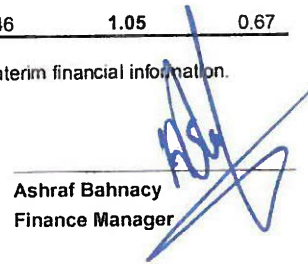
The accompanying notes are an integral part of this condensed consolidated interim financial information.



Khalid Al-Moammar  
Designated member



Ossama Farouk  
Chief Executive Officer



Ashraf Bahnacy  
Finance Manager

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

	Note	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		207,336,356	194,652,830
<b>Current assets</b>			
Inventories		119,073,529	101,959,279
Trade and other receivables		166,568,867	161,611,093
Short-term deposits		50,000,000	50,000,000
Cash and cash equivalents		147,610,069	172,878,753
<b>Total current assets</b>		<b>483,252,465</b>	<b>486,449,125</b>
<b>Total assets</b>		<b>690,588,821</b>	<b>681,101,955</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		275,000,000	275,000,000
Statutory reserve		53,070,778	53,070,778
Retained earnings	8	162,128,246	160,618,821
Equity attributable to shareholders of Basic Chemical Industries Company		490,199,024	488,689,599
Non-controlling interests		83,238,795	78,779,615
<b>Total equity</b>		<b>573,437,819</b>	<b>567,469,214</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations		24,300,899	24,008,227
<b>Current liabilities</b>			
Trade and other payables		86,587,643	76,517,812
Zakat and income tax payable		6,262,460	13,106,702
<b>Total current liabilities</b>		<b>92,850,103</b>	<b>89,624,514</b>
<b>Total liabilities</b>		<b>117,151,002</b>	<b>113,632,741</b>
<b>Total equity and liabilities</b>		<b>690,588,821</b>	<b>681,101,955</b>

The condensed consolidated interim financial information including notes and other explanatory information were approved and authorised for issue by the Board of Directors on 2 August 2018 and were signed on their behalf by:



Khalid Al-Moammar  
Designated member



Ossama Farouk  
Chief Executive Officer



Ashraf Bahnacy  
Finance Manager

**BASIC CHEMICAL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in equity  
(All amounts in Saudi Riyals unless otherwise stated)

Note	Attributable to the shareholders of Basic Chemical Industries Company				Non- controlling interests	Total
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2017 (Audited)	275,000,000	48,693,927	150,715,586	474,409,513	78,223,305	552,632,818
Profit for the period	-	-	18,442,572	18,442,572	12,098,613	30,541,185
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	18,442,572	18,442,572	12,098,613	30,541,185
Dividends	-	-	(27,500,000)	(27,500,000)	(19,370,000)	(46,870,000)
At 30 June 2017 (Unaudited)	275,000,000	48,693,927	141,658,158	465,352,085	70,951,918	536,304,003
At 1 January 2018 (Audited)	275,000,000	53,070,778	160,618,821	488,689,599	78,779,615	567,469,214
Profit for the period	-	-	29,009,425	29,009,425	12,109,180	41,118,605
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	29,009,425	29,009,425	12,109,180	41,118,605
Dividends	-	-	(27,500,000)	(27,500,000)	(7,650,000)	(35,150,000)
At 30 June 2018 (Unaudited)	275,000,000	53,070,778	162,128,246	490,199,024	83,238,795	573,437,819

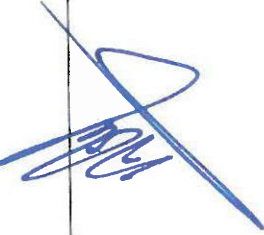
The accompanying notes are an integral part of this condensed consolidated interim financial information.



Khalid Al-Moammar  
Designated member



Ossama Farouk  
Chief Executive Officer



Ashraf Bahnacy  
Finance Manager

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

	Note	For the six-month period ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before zakat and income tax		50,436,353	37,653,511
<u>Adjustments for:</u>			
Depreciation		13,541,459	14,448,338
Loss (gain) on disposal of property and equipment		42,884	(36,103)
Share in net profit of an associate accounted for using the equity method		-	(53,731)
Financial income		(577,917)	(893,209)
Employee benefit obligations		292,672	748,058
<u>Changes in operating assets and liabilities:</u>			
Increase in inventories		(17,114,250)	(13,093,663)
Increase in trade and other receivables		(4,957,774)	(18,634,315)
Increase in trade and other payables		10,069,831	10,883,112
Cash generated from operations		51,733,258	31,021,998
Finance income received on deposits		577,917	893,209
Zakat and income tax paid		(16,161,990)	(12,195,551)
<b>Net cash inflow from operating activities</b>		<b>36,149,185</b>	<b>19,719,656</b>
<b>Cash flows from investing activities</b>			
Short-term deposits		-	(10,000,000)
Payments for property, plant and equipment		(26,329,146)	(27,198,792)
Proceeds from disposal of property and equipment		61,277	38,610
<b>Net cash outflow from investing activities</b>		<b>(26,267,869)</b>	<b>(37,160,182)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the company's shareholders	8	(27,500,000)	(27,500,000)
Dividends paid to the non-controlling interests in subsidiaries		(7,650,000)	(19,370,000)
<b>Net cash outflow from financing activities</b>		<b>(35,150,000)</b>	<b>(46,870,000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(25,268,684)</b>	<b>(64,310,526)</b>
Cash and cash equivalents at beginning of period		172,878,753	227,856,353
<b>Cash and cash equivalents at end of period</b>		<b>147,610,069</b>	<b>163,545,827</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

  
Khalid Al-Moammar  
Designated member

  
Ossama Farouk  
Chief Executive Officer

  
Ashraf Bahnacy  
Finance Manager

## **BASIC CHEMICAL INDUSTRIES COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the condensed consolidated interim financial information (Unaudited)**

**For the three-month and six-month periods ended 30 June 2018**

(All amounts in Saudi Riyals unless otherwise stated)

### **1. General information**

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

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

The Company is in the process of setting-up a project in Jubail for producing chlorine and its derivatives with an estimated production capacity of 70,000 tons. During the year ended 31 December 2017, the Company has entered into an agreement with a European company for procurement of machinery and equipment for chlorine and caustic soda and engineering services. The project is expected to be completed by 2020 with a total estimated cost of Saudi Riyals 520.0 million. During the six-month period ended 30 June 2018, the Company signed an agreement with a local commercial bank for credit facilities amounting to Saudi Riyals 262.0 million in order to finance this project. Such credit facilities have remained unutilized as at 30 June 2018.

The accompanying condensed consolidated interim financial information include the accounts of the Company, its branches and its following various Saudi Arabian subsidiaries, operating under individual CRs:

	<u>Effective ownership percentage at</u>	
	<u>30 June 2018</u>	<u>31 December 2017</u>
Basic Chemicals National Company Limited ("BCNC")	100%	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	100%	100%
Saudi Water Treatment Company ("SWTC")	100%	100%
Huntsman APC ("HAPC")	49%	49%
National Adhesives Company Limited ("NAL")	47%	47%

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

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

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

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR number 56892 issued on 12 Ramadan 1433 H ( 31 July 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins. The investment is recorded as an investment in an associate and accounted for using the equity method of accounting. As at 30 June 2018 and 31 December 2017, the investment was fully impaired.

### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of condensed consolidated interim financial information of the Group are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

#### **2.1 Basis of preparation**

This condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").



**BASIC CHEMICAL INDUSTRIES COMPANY**  
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**For the three-month and six-month periods ended 30 June 2018**  
(All amounts in Saudi Riyals unless otherwise stated)

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

## **2.2 Standards issued but not yet effective**

IFRS 16, 'Leases' was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard is mandatory for the Group's accounting periods beginning on and subsequent to 1 January 2019, and has not been early adopted by the Group. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group is yet to evaluate the impact of the standard.

There are no other relevant International Financial Reporting Standards ("IFRS") or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group's condensed interim financial information.

## **2.3 New and amended standards adopted by the Group**

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

- a) IFRS 9 'Financial Instruments' ("IFRS 9"); and
- b) IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

The impact of the adoption of these standards and the new accounting policies was not material and did not require retrospective adjustments.

## **2.4 Change in accounting policies**

### **2.4.1 IFRS 9**

#### **(i) Classification**

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

#### **(ii) Measurement**

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

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

#### **(iii) Impairment**

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

**BASIC CHEMICAL INDUSTRIES COMPANY**  
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**For the three-month and six-month periods ended 30 June 2018**  
(All amounts in Saudi Riyals unless otherwise stated)

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

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

	<b>New classification under IFRS 9 1 January 2018</b>	<b>Original classification under IAS 39 31 December 2017</b>
<b>Financial assets</b>		
Trade and other receivables	Amortised cost	Amortised cost
Short-term deposits	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost
<b>Financial liabilities</b>		
Trade and other payables	Amortised cost	Amortised cost

#### **2.4.2 IFRS 15**

##### *Revenue from sale of goods*

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### *Revenue from rendering of services*

Revenue from services is recognized in the accounting period in which the services are rendered. Revenue is recognized when the performance obligation is satisfied i.e. upon receiving the completion certificate from the customer.

### **3 Fair value of financial assets and financial liabilities**

As at 30 June 2018 and 31 December 2017, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short-term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

### **4 Critical accounting estimates and judgments**

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical accounting estimates and judgments used by management in the preparation of the condensed consolidated interim financial information are the same as those that are applied and disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2017.

**BASIC CHEMICAL INDUSTRIES COMPANY**  
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**Notes to the condensed consolidated interim financial information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2018**  
(All amounts in Saudi Riyals unless otherwise stated)

**5 Segment information**

The Group's operations are principally in the following business segments:

- **Chemicals:** this part of the business manufactures and sells industrial chemicals such as hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite, polyurethane chemicals etc. used in multiple industries.
- **Adhesives and other materials:** this part of the business manufactures and sells ferric chloride, hot and cold melt adhesives, sulfuric acid etc. used in multiple industries.

Selected financial information as of 30 June 2018 and 31 December 2017 and for the three-month and six-month periods ended 30 June 2018 and 2017, summarized by the above operating segments, is as follows:

	<b>Chemicals</b>	<b>Adhesives and other materials</b>	<b>Total</b>
<b>For the three-month period ended 30 June 2018</b>			
Revenue	94,264,809	57,128,774	151,393,583
Cost of sales	(68,461,073)	(43,011,525)	(111,472,598)
<b>Gross profit</b>	<b>25,803,736</b>	<b>14,117,249</b>	<b>39,920,985</b>
Selling and distribution expenses	(6,451,044)	(4,304,872)	(10,755,916)
General and administrative expenses	(6,631,506)	(795,983)	(7,427,489)
Other operating income - net	1,011,405	148,883	1,160,288
<b>Operating profit</b>	<b>13,732,591</b>	<b>9,165,277</b>	<b>22,897,868</b>
Financial income	291,806	-	291,806
Segment results	14,024,397	9,165,277	23,189,674
<b>For the six-month period ended 30 June 2018</b>			
Revenue	189,939,959	115,210,833	305,150,792
Cost of sales	(135,048,296)	(87,353,357)	(222,401,653)
<b>Gross profit</b>	<b>54,891,663</b>	<b>27,857,476</b>	<b>82,749,139</b>
Selling and distribution expenses	(14,849,059)	(8,533,879)	(23,382,938)
General and administrative expenses	(11,570,399)	(608,419)	(12,178,818)
Other operating income (expenses) - net	2,826,983	(155,930)	2,671,053
<b>Operating profit</b>	<b>31,299,188</b>	<b>18,559,248</b>	<b>49,858,436</b>
Financial income	577,917	-	577,917
Segment results	31,877,105	18,559,248	50,436,353
<b>As at 30 June 2018</b>			
Total assets	515,025,219	175,563,602	690,588,821
Total liabilities	77,583,083	39,567,919	117,151,002

**BASIC CHEMICAL INDUSTRIES COMPANY**

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2018

(All amounts in Saudi Riyals unless otherwise stated)

	Chemicals	Adhesives and other materials	Total
<b>For the three-month period ended 30 June 2017</b>			
Revenue	88,074,885	61,432,392	149,507,277
Cost of sales	(66,834,068)	(42,181,477)	(109,015,545)
<b>Gross profit</b>	<b>21,240,817</b>	<b>19,250,915</b>	<b>40,491,732</b>
Selling and distribution expenses	(7,087,480)	(5,118,805)	(12,206,285)
General and administrative expenses	(6,409,091)	(976,065)	(7,385,156)
Other operating income - net	2,528,032	217,981	2,746,013
<b>Operating profit</b>	<b>10,272,278</b>	<b>13,374,026</b>	<b>23,646,304</b>
Financial income	232,168	-	232,168
Segment results	10,504,446	13,374,026	23,878,472

	Chemicals	Adhesives and other materials	Total
<b>For the six-month period ended 30 June 2017</b>			
Revenue	157,818,711	120,074,382	277,893,093
Cost of sales	(120,525,232)	(84,743,509)	(205,268,741)
<b>Gross profit</b>	<b>37,293,479</b>	<b>35,330,873</b>	<b>72,624,352</b>
Selling and distribution expenses	(14,381,419)	(10,222,584)	(24,604,003)
General and administrative expenses	(12,498,104)	(1,188,473)	(13,686,577)
Other operating income (expenses) - net	3,061,446	(688,647)	2,372,799
<b>Operating profit</b>	<b>13,475,402</b>	<b>23,231,169</b>	<b>36,706,571</b>
Financial income	893,209	-	893,209
Segment results	14,368,611	23,231,169	37,599,780

**As at 31 December 2017**

Total assets	527,682,036	153,419,919	681,101,955
Total liabilities	84,766,616	28,866,125	113,632,741

**Reconciliation of segment results with profit before zakat and income tax**

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018	2017	2018	2017
Total segment results	23,189,674	23,878,472	50,436,353	37,599,780
Share in net (loss) profit of an associate accounted for using the equity method	-	(36)	-	53,731
<b>Profit before zakat and income tax</b>	<b>23,189,674</b>	<b>23,878,436</b>	<b>50,436,353</b>	<b>37,653,511</b>

**BASIC CHEMICAL INDUSTRIES COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information (Unaudited)****For the three-month and six-month periods ended 30 June 2018****(All amounts in Saudi Riyals unless otherwise stated)****6 Related party transactions and balances**

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

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

Nature of transactions	Relationship	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2018	2017	2018	2017
Sales to related parties	Associated companies	<b>7,174,947</b>	10,183,066	<b>18,434,352</b>	21,375,943
Purchases from other related parties	Associated companies	<b>15,785,651</b>	18,173,899	<b>51,023,136</b>	30,283,397
Royalty charged by a related party	Associated companies	<b>1,620,372</b>	1,723,911	<b>3,063,496</b>	3,296,352
Expenses charged by a related party	Other related parties	-	552,588	-	1,781,001

The related party balances as at 30 June 2018 and 2017 is included in trade and other receivable and trade and other payable balances respectively. These outstanding balances are unsecured and are settled in the ordinary course of business and bear no financial charges.

(b) Key management personnel compensation:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018	2017	2018	2017
Salaries and other short-term employee benefits	<b>1,433,799</b>	1,019,693	<b>2,867,598</b>	2,039,386
Employee benefit obligations	<b>187,423</b>	124,423	<b>374,846</b>	248,846
	<b>1,621,222</b>	1,144,116	<b>3,242,444</b>	2,288,232

**7 Basic and diluted earnings per share**

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2018	2017	2018	2017
Profit attributable to the shareholders of Basic Chemical Industries Company	<b>12,996,652</b>	12,520,431	<b>29,009,425</b>	18,442,572
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>27,500,000</b>	27,500,000	<b>27,500,000</b>	27,500,000
Basic and diluted earnings per share	<b>0.47</b>	0.46	<b>1.05</b>	0.67

## **BASIC CHEMICAL INDUSTRIES COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the condensed consolidated interim financial information (Unaudited)**

**For the three-month and six-month periods ended 30 June 2018**

(All amounts in Saudi Riyals unless otherwise stated)

### **8 Dividends**

The shareholders of the Company in their general assembly meeting held on 15 May 2018 approved dividends of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 27.5 million during the six-month period ended 30 June 2018 (30 June 2017: Saudi Riyals 27.5 million approved and paid) which were fully paid during the period.

### **9 Contingencies and commitments**

- (i) The Group was contingently liable at 30 June 2018 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 11.0 million (31 December 2017: Saudi Riyals 12.1 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred till 30 June 2018 was approximately Saudi Riyals 182.9 million (31 December 2017: Saudi Riyals 200.2 million). Also see Note 1.
- (iii) During 2012, the General Authority for Zakat and Tax ("GAZT") issued additional assessments for the years 2003 through 2010 amounting to Saudi Riyals 10.4 million primarily due to disallowances of certain contentions related to property, plant and equipment, intercompany balances and certain other matters. The Company filed appeals against such additional assessments with the Preliminary Appeals Committee ("PAC").

During the year ended 31 December 2017, the GAZT under the directives of PAC, has issued revised additional assessments for the years 2005 to 2010, accepting BCI's positions towards treatment of property, plant and equipment for the purposes of calculating zakat base and accordingly, reduced the additional assessments for 2005 to 2010 from Saudi Riyals 9.5 million to Saudi Riyals 4.1 million. BCI further contested these revised additional assessment and during the six-month period 30 June 2018, the GAZT issued another revised assessment reducing the remaining additional assessments of Saudi Riyals 4.1 million to Saudi Riyals 2.2 million accepting certain contentions of the Company in relation to related party balances.

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

The Group's management believes that their contentions on the remaining additional assessments will also be accepted by the GAZT and that no material liability will arise upon the ultimate resolution of these appeals and accordingly, no provision for such additional assessments has been recorded in the accompanying condensed consolidated interim financial information.