

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
**AND INDEPENDENT AUDITORS' REPORT**

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
**AND INDEPENDENT AUDITORS' REPORT**

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## **INDEPENDENT AUDITOR'S REPORT**

**TO: THE SHAREHOLDERS OF  
ALUJAIN CORPORATION  
(A Saudi Joint Stock Company)**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of **ALUJAIN CORPORATION (the "Company") and its subsidiaries (the "Group")** which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to note (1) in the consolidated financial statements related to liquidity management. As stated in note (1), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Emphasis of Matter**

We draw attention to note (9) in the consolidated financial statements which describes that fire occurred at the plant of National Petrochemical Industries Company "NATPET" (Associate company) on October 2, 2018. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR’S REPORT (Continued)**  
**ALUJAIN CORPORATION**  
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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Implementation of IFRS 15 “Revenue from contracts with customers”</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group adopted IFRS 15 “Revenue from contracts with customers” with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 18 “Revenue”.</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that there may be within a given contract.</p> <p>Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS 15 can require judgment by management and the use of significant assumptions.</p>	<p>We performed the following procedures relation to the implementation of IFRS 15:</p> <ul style="list-style-type: none"> <li>• Reviewed management’s detailed analysis of its various revenue streams and how the new accounting standard impacts the Group;</li> <li>• Gained an understanding of management’s approach to the implementation of any changes to accounting policy;</li> <li>• Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management’s application of IFRS 15 requirements was in accordance with the accounting standard;</li> <li>• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue;</li> <li>• Consulted with our accounting technical specialists on certain judgmental positions taken by management.</li> </ul> <p>We also reviewed the adequacy of the Group’s disclosures included in note 6 to the accompanying consolidated financial statements in relation to implementation of the new accounting standard.</p>
Refer to note (6) for the accounting policy	

**INDEPENDENT AUDITOR’S REPORT (Continued)**  
**ALUJAIN CORPORATION**  
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**Key Audit Matters (Continued)**

<b>Implementation of IFRS 9 “Financial instruments”</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group adopted IFRS 9 “Financial instruments” with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 39 “Financial instruments – recognition and measurement”.</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.</p> <p>As at 31 December 2018 carrying value of trade receivables amounted to SAR 4.4 million (2017: SAR 4.4 million) and the allowance for impairment of trade receivables amounted to SAR 0.5 million (2017: SAR 0.5 millions).</p> <p>The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit-impaired. The Group’s management has applied a simplified expected credit loss (“ECL”) model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macros-economic factors and study of historical trends relating to the Group’s trade receivables collections experience.</p> <p>We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.</p>	<p>We performed the following procedures in relation to the implementation of IFRS 9:</p> <ul style="list-style-type: none"> <li>• Reviewed management’s assessment of the impact of IFRS 9 in terms of classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation;</li> <li>• Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model;</li> <li>• Tested key assumptions such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses;</li> <li>• Involved our accounting subject matter specialists to review the methodology used in the ECL model; and compared this against accepted best practice.</li> </ul> <p>We also reviewed the adequacy of the Group’s disclosures included in notes 6 and note 11 to the accompanying consolidated financial statements.</p>
<p>Refer to note (6) for the accounting policy and note (11) for related disclosures.</p>	



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**ALUJAIN CORPORATION**  
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**Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion, on those statements on March 28, 2018.

**Other Information**

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

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**ALUJAIN CORPORATION**  
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

4 Shaban 1440H (April 9, 2019)  
Riyadh, Kingdom of Saudi Arabia



**AlAzem & AlSudairy**  
**Certified Public Accountants**



**Abdullah M. AlAzem**  
**License No, 335**



**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Consolidated statement of financial position**

**As of December 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As of 31 December 31	
		2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	30,040	31,966
Intangible assets	8	180	224
Investment accounted for using equity method	9	1,247,341	1,144,445
<b>Total non-current assets</b>		<b>1,277,561</b>	<b>1,176,635</b>
<b>Current assets</b>			
Inventories	10	4,125	4,616
Trade and other receivables	11	4,108	4,009
Prepayments and other current assets	12	30,062	31,265
Cash and cash equivalents	13	9,374	20,897
<b>Total current assets</b>		<b>47,669</b>	<b>60,787</b>
<b>Total assets</b>		<b>1,325,230</b>	<b>1,237,422</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	692,000	692,000
Statutory reserve	15	85,999	75,524
Retained earnings		545,633	455,753
Cash flow hedge reserve	9-3	349	(995)
Available-for-sale investment reserve	9-3	-	(5,381)
Fair value through Other Comprehensive Income (FVTOCI) reserve	9-3	(19,803)	-
<b>Equity attributable to the shareholders of Alujain Corporation (Parent Company)</b>		<b>1,304,178</b>	<b>1,216,901</b>
Non-controlling interests		388	413
<b>Total equity</b>		<b>1,304,566</b>	<b>1,217,314</b>
<b>Non-current liability</b>			
Employees defined benefits liabilities	16	4,370	4,628
<b>Total non-current liability</b>		<b>4,370</b>	<b>4,628</b>
<b>Current liabilities</b>			
Trade and other payables	17	10,448	10,750
Accrued and other current liabilities	18	4,122	2,973
Zakat payable	19	1,724	1,757
<b>Total current liabilities</b>		<b>16,294</b>	<b>15,480</b>
<b>Total liabilities</b>		<b>20,664</b>	<b>20,108</b>
<b>Total equity and liabilities</b>		<b>1,325,230</b>	<b>1,237,422</b>

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements.



**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Consolidated statement of profit or loss**

**For the year ended December 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31,	
		2018	2017
Revenues		25,871	28,322
Cost of sales	20	(21,235)	(20,998)
<b>Gross profit</b>		<b>4,636</b>	<b>7,324</b>
Share in net income of an equity accounted investees	9.3	121,144	133,326
Selling and marketing expenses	21	(3,465)	(3,466)
General and administration expenses	22	(16,439)	(16,230)
<b>Income from operations</b>		<b>105,876</b>	<b>120,954</b>
Other income		279	580
Gain on acquisition of Zain Industries Limited ("Zain")	9.3	-	15,977
<b>Income before zakat</b>		<b>106,155</b>	<b>137,511</b>
Zakat expense	19	(1,433)	(1,331)
<b>Income for the year</b>		<b>104,722</b>	<b>136,180</b>
Attributable to:			
Shareholders of the Parent Company		104,750	136,198
Non-controlling interests	9.2	(28)	(18)
		<b>104,722</b>	<b>136,180</b>
<b>Earnings per share attributable to equity holders of the Company:</b>			
Basic and diluted earnings per share for the shareholders in the parent company (Saudi Riyal)	23	1.51	1.97

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Designated Member and CEO

Saleem Akhtar  
CFO

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**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Consolidated statement of comprehensive income**  
**For the year ended December 31, 2018**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31,	
		2018	2017
Income for the year		104,722	136,180
<b>Other comprehensive income</b>			
<u>Items that may be reclassified to statement of income:</u>			
<i>Share in other comprehensive income (loss) of equity accounted investees</i>			
Changes in the fair value of cash flow hedges	9.3	1,344	(1,504)
		1,344	(1,504)
<u>Items that will not be reclassified to statement of income:</u>			
Re-measurement of retirement benefit obligation	16	780	(467)
Share in other comprehensive (loss) income of equity accounted investees	9.3	(1,300)	(2,073)
Changes in the fair value of available-for-sale investment	9.3	(14,422)	(5,381)
Share in other comprehensive loss of joint venture	9.3	(158)	-
		(15,100)	(7,921)
<b>Comprehensive income for the year</b>		<b>90,966</b>	<b>126,755</b>
<u>Attributable to:</u>			
Equity holders of the Parent Company		90,991	126,773
Non-controlling interests	9.2	(25)	(18)
		<b>90,966</b>	<b>126,755</b>

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Saleem Akhtar  
 CFO

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**ALUJAIN CORPORATION**  
(A Saudi Joint Stock Company)

**Consolidated statement of changes in equity**  
For the year ended December 31, 2018  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to the shareholders of Alujain Corporation							Non-controlling interest	Total
	Share capital	Statutory reserve	Retained Earnings	Cash flow hedge reserve	Available-for-sale investment reserve	FVTOCI reserve	Total		
<b>As at January 1, 2018</b>	<b>692,000</b>	<b>75,524</b>	<b>455,753</b>	<b>(995)</b>	<b>(5,381)</b>	<b>-</b>	<b>1,216,901</b>	<b>413</b>	<b>1,217,314</b>
Reclassification	-	-	-	-	5,381	(5,381)	-	-	-
Net profit for the year	-	-	104,750	-	-	-	104,750	(28)	104,722
Other comprehensive loss for the year	-	-	(681)	1,344	-	(14,422)	(13,759)	3	(13,756)
Total comprehensive income for the year	-	-	104,069	1,344	-	(14,422)	90,991	(25)	90,966
IFRS adjustments	-	-	(3,714)	-	-	-	(3,714)	-	(3,714)
Transfer to statutory reserve	-	10,475	(10,475)	-	-	-	-	-	-
<b>As at December 31, 2018</b>	<b>692,000</b>	<b>85,999</b>	<b>545,633</b>	<b>349</b>	<b>-</b>	<b>(19,803)</b>	<b>1,304,178</b>	<b>388</b>	<b>1,304,566</b>
<b>As at January 1, 2017</b>	<b>692,000</b>	<b>61,904</b>	<b>404,915</b>	<b>509</b>	<b>-</b>	<b>-</b>	<b>1,159,328</b>	<b>-</b>	<b>1,159,328</b>
Non-controlling interest acquired	-	-	-	-	-	-	-	431	431
Net profit for the year	-	-	136,198	-	-	-	136,198	(18)	136,180
Other comprehensive loss for the year	-	-	(2,540)	-	-	-	(9,425)	-	(9,425)
Total comprehensive income for the year	-	-	133,658	(1,504)	-	-	126,773	(18)	126,755
Transfer to statutory reserve	-	13,620	(13,620)	-	-	-	(69,200)	-	(69,200)
Dividend	-	-	(69,200)	-	-	-	-	-	-
<b>As at December 31, 2017</b>	<b>692,000</b>	<b>75,524</b>	<b>455,753</b>	<b>(995)</b>	<b>(5,381)</b>	<b>-</b>	<b>1,216,901</b>	<b>413</b>	<b>1,217,314</b>

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements.

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Consolidated statement of cash flows**

**For year ended December 31, 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31,	
		2018	2017
<b>Cash flow from operating activities</b>			
Income before zakat		106,155	137,511
<b>Adjustments for:</b>			
Gain on acquisition of Zain	9,3	-	(15,977)
Depreciation and amortization	7	3,200	3,189
Employee defined benefit expenses	16	948	1,044
Share in net income of equity accounted investees	9,3	(121,144)	(133,326)
Property, plant and equipment written-off		45	4
Provision for inventory obsolescence	10	-	100
Provision for doubtful receivables	11	-	510
Reversal of provision for doubtful receivable		-	(5,167)
<b>Working capital adjustments:</b>			
Inventories		491	(812)
Trade and others receivables		(99)	4,374
Prepayments and other current assets		1,203	(1,627)
Trade and other payables		44	(5,344)
Accrued and other current liabilities		1,149	639
<b>Net cash outflows from operations</b>		<b>(8,008)</b>	<b>(14,882)</b>
Employees defined benefits paid	16	(426)	(2,155)
Zakat paid	19	(1,466)	(1,940)
<b>Net cash outflows from operating activities</b>		<b>(9,900)</b>	<b>(18,977)</b>
<b>Cash flow from investing activities</b>			
Addition to property, plant and equipment		(1,275)	(973)
Cash acquired on acquisition of a subsidiary	9	-	14,136
Dividends received from equity accounted investee	9	-	82,196
<b>Net cash (outflow) inflows from investing activities</b>		<b>(1,275)</b>	<b>95,359</b>
<b>Cash flow from a financing activity</b>			
Dividend paid to share holders	29	(348)	(68,172)
<b>Cash outflow from a financing activity</b>		<b>(348)</b>	<b>(68,172)</b>
<b>Net change in cash and cash equivalents</b>		<b>(11,523)</b>	<b>8,210</b>
Cash and cash equivalents at the beginning of the year		20,897	12,687
<b>Cash and cash equivalents at the end of the year</b>		<b>9,374</b>	<b>20,897</b>
<b>Non-cash transactions</b>			
De-recognition of carrying value of equity accounted investee		-	9,055
Consideration towards acquisition of subsidiary adjusted against due from related party		-	9,052
Transfer of employee defined benefit liabilities to a related party		-	1,010
Dividends payable to shareholders		-	1,040

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The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**1 General information**

Alujain Corporation ("the Company" or "the Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated 15 Jamad Thani 1412H, corresponding to December 23, 1991. The Company obtained its Commercial Registration No. 4030084538 on Rajab 3, 1412H, corresponding to January 7, 1992. The Commercial Register was deleted and replaced with the new Commercial Register No. 1010614417 issued on 8 Jumada Al-Awal 1439H. The Parent Company is listed on the Saudi Stock Exchange.

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

The head office of the Parent Company is located in Riyadh.

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (the "Group") as at December 31, 2018:

Subsidiaries	Country of incorporation	Paid up share capital	Effective ownership	
			2018	2017
Zain Industries Company (i)	Saudi Arabia	60,000	98.75%	98.75%
Alujain Company for Investment (ii)	Saudi Arabia	100	100%	100%
Alujain Industrial Company (iii)	Saudi Arabia	100	100%	100%

- i. Zain Industries Company - a Limited Liability Company ("Zain") is engaged in the business of homecare products (spray starch and air fresheners), insecticides and agricultural pesticides, with manufacturing facility located in Jubail Industrial City. During 2017, the Parent Company increased its ownership interest in Zain from 49.38% to 98.75% by purchasing the interest from existing partners.
- ii. Alujain Company for Investment - a Sole Proprietor Limited Liability Company ("ACJ") was incorporated during the year 2017. ACJ's purpose is to engage in sale and purchase of land and real estate, and provision of commercial and administrative services. However, ACJ has not commenced commercial operations. The Parent Company has transferred 26,008,709 shares held in National Petrochemical Industrial Company Natpet (representing 20% share capital of Natpet) to ACJ under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.
- iii. Alujain Industrial Company - A Sole Proprietor Limited Liability Company ("AIC") was incorporated during the year 2017. AIC's purpose is to engage in providing commercial and administrative services. However, AIC has not commenced commercial operations. The Parent Company transferred 26,008,709 shares held in Natpet (representing 20% share capital of Natpet) to AIC under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.

**Going concern:**

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to manage liquidity to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

The Group has net operating cash outflows of 9.9 million without any investing / financing cash inflows for the year ended 31 December 2018, as at that date, the Group has cash and cash equivalents of SR 9.37 million, which indicates that uncertainty exists about the Group's ability to manage liquidity.

Management believes that the cash inflows will be sufficient to meet its liabilities for a period at least 12 months from the date of the consolidated financial statements based on the following:

- The Company's major investment is in Natpet (the Company owns 57.4% of Natpet) and Natpet reported SR 546 million as cash and cash equivalents in its annual audited financial statements for the year ended 31 December 2018. It also received intrem Insurance installment of SR 185 million during first quarter of 2019 against property, plant and equipment losses, which happened in fourth quarter of 2018 (Note 9). Its' short term loan and current portion of long-term loan are SR 307 million, and SR 209 million as long term loan payable which indicates the solvency of NatPet. The Company expects to receive a dividend from Natpet, where Natpet did not distribute dividends during the year 2018.
- The Company is also actively working on different options including but not limited to (1) seeking short term loans from banks and (2) Refund of part of the bank deposit against the letters of guarantees issued in favor of General Authority of Zakat and Income Tax (Note 19).

As described above, management has a reasonable expectation that the Group has adequate resources to meet the risk of liquidity management for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

## **2 Basis of preparation**

### **a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Accounting Standards and other standards and pronouncements, as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA").

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

### **b) Basis of measurement**

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

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

The accounting policies adopted are consistent with those of the previous financial year ended December 31, 2017 except for and the adoption of new and amended standards as set out in Note 6.

### **c) Functional and presentation currency**

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

### **d) Income and cash flow statements**

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

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

## **3 Significant accounting estimates, assumptions and judgments**

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

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

### **3.1 Key sources of estimation uncertainty**

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

**3 Significant accounting estimates, assumptions and judgments (continued)**

**3.1 Key sources of estimation uncertainty (continued)**

**3.1.1 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") 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 forecast calculations.

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 statement of profit or loss.

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

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

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

**3.2 Critical judgments in applying accounting standards**

The Group measures its investments as subsidiaries where the Group exercises control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, holding majority equity instruments that give the Group proportionate voting rights, such as an ordinary share in an investee, in the absence of other factors, establishes controls over the investee. As mentioned in Note 9.3, although the Group holds 57.4% equity interest in Natpet, the Group is unable to demonstrate power to control relevant activities of Natpet as per the requirements of IFRS 10. Consequently, the Group accounts for the investment in Natpet under the equity method on the basis that it possesses significant influence but not control over Natpet. The Group performs continuous assessment at the end of each reporting period to determine whether the criteria of control is met.



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**4 Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group is currently assessing the implications of the below mentioned standards and amendments on its consolidated financial statements and the related timing of adoption.

<b>Standard/ Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after the following date</b>
IFRS 16 'Leases'	This standard replaces the current guidance in International Accounting Standards (IAS) 17 and is a far-reaching change in accounting by lessees in particular.	January 1, 2019, earlier application permitted if IFRS 15, is also applied
Annual improvements 2015–2017	These amendments include minor changes to: <ul style="list-style-type: none"> <li>• IFRS 3, 'Business combinations'</li> <li>• IFRS 11, 'Joint arrangements'</li> <li>• IAS 12, 'Income taxes'</li> <li>• IAS 23, 'Borrowing costs'</li> </ul>	January 1, 2019
Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments	This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.	January 1, 2019

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

As per its initial assessment, the following are the possible implications related to the standards, which are effective for annual periods beginning on or after January 1, 2019

**Leases - "IFRS16"**

IFRS (16) was issued in January 2016 and IFRS (16) replaces existing leases guidance including IAS (17) Leases, IFRIC (4) Determining whether an Arrangement contains a Lease, SIC-(15) Operating Leases-Incentives and SIC-(27) Evaluating the Substance of Transactions Involving the legal Form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS (17). The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS (16) is substantially unchanged from today's accounting under IAS (17). Lessors will continue to classify all leases using the same classification principle as in IAS (17) and distinguish between two types of leases: operating and finance leases.

IFRS (16) also requires lessees and lessors to make more extensive disclosures than under IAS (17). IFRS (16) is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS (15). A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group's management has assessed that adoption of IFRS 16 will not have a material impact because the leases contracts as a lessee is not significant.

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

**5 Summary of significant accounting policies**

**Basis for consolidation**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its return

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

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

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

Income and each component of other comprehensive income are attributed to the equity holders of the part of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the information of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

**Business combinations and goodwill**

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of income.

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

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

**5 Summary of significant accounting policies (continued)**

**Business combinations and goodwill (continued)**

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

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

**Investments in equity accounted investees**

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

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

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

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

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

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

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

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

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

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

**5 Summary of significant accounting policies (continued)**

**Foreign currency transactions and balances**

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

**Fair value measurement**

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

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

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

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

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

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

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

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

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

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

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

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

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**5 Summary of significant accounting policies (continued)**

**Cash dividend to equity holders**

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

**Property, plant and equipment**

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

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

	<b>Years</b>
• Leasehold improvements	10
• Buildings	30
• Plant and equipment	30
• Furniture and fixtures	10
• Office equipment	10
• Vehicles	4

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

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

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

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

**Intangible assets**

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

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

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

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

Research costs are expensed as incurred.

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

The Group does not possess any indefinite intangible assets

## **5 Summary of significant accounting policies (continued)**

### **Leases**

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

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

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

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

### **Inventories**

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

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

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

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

### **Consumables spare parts**

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

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

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalised as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalised as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.
- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

**5 Summary of significant accounting policies (continued)**

**Financial instruments**

**Classification of financial assets**

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

**Initial measurement**

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

**Classification of financial liabilities**

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

**Offsetting financial assets and liabilities**

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**Reclassifications**

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

**Subsequent measurement**

Subsequent measurement of financial assets is as follows:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured 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 and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.



**5 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

**De-recognition**

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

***Impairment***

***Financial assets***

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

***Measurement and recognition of expected credit losses***

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

**5 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

*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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When 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 companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the consolidated statement of profit or loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Revenue from contracts with customers**

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

**Step 1. Identify the contract with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

**Step 2. Identify the performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**Step 3. Determine the transaction price:** The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Step 4. Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

**Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.**

**5 Summary of significant accounting policies (continued)**

**Revenue from contracts with customers (continued)**

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

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

**Sale of goods**

The Group manufactures and sales home care products to retailers and wholesalers. Revenue from such sale of goods is recognised at the point when the Group sells a product to the customer. Payment of the transaction price is due as per the credit term when the customer purchases the goods.

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

**Interest income**

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

**Trade receivables**

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using EIR, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to the consolidated statement of income against "General and administrative expenses".

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Employee benefits**

***Short-term obligations***

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

**5 Summary of significant accounting policies (continued)**

**Employee benefits (continued)**

***Defined benefit plans***

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

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

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

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

Valuations of the obligations under these plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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

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

**Trade payables**

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

**Earnings per share**

Basic earnings per share is calculated by dividing:

- the income attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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

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

**5 Summary of significant accounting policies (continued)**

**Expenses**

**Cost of sales**

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

**Selling and marketing expenses**

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

**General and administration expenses**

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

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

**Zakat and income taxes**

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

**Statutory reserve**

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

**Segment reporting**

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

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

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

**6 New and amended standards adopted by the Group**

The below listed new 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:

- IFRS 9 *Financial Instruments* ("IFRS 9"), and
- IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15").

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**6 New and amended standards adopted by the Group (continued)**

**Initial adoption of IFRS 9**

**Recognition, classification and measurement of financial assets and financial liabilities**

IFRS 9 'Financial Instruments' replaces the provisions of IAS 39 'Financial Instruments' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies (See Note 3) and adjustment to the amounts recognized in the financial statements. In accordance with the transitional provisions in IFRS 9 and, corresponding figures have not been restated.

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The reclassifications had no impact on the measurement category.

**Reclassification resulting in the change in presentation of the reserves on the face of consolidated statement of financial position:**

Reverse	Statement of financial position			Retained earnings
	December 31, 2017	IFRS 9 adjustment	January 1, 2018	January 1, 2018
Available-for-sale investment reserve	(5,381)	5,381	-	-
Fair Value through Other Comprehensive Income ("FVTOCI") reserve	-	(5,381)	(5,381)	-
	(5,381)	-	(5,381)	-

The Group has elected to present in Other Comprehensive Income (OCI) changes in respect of the share of the fair value of equity investments made by an associate previously classified as available-for-sale investment, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, share of changes in the fair value of such investments amounting to Saudi Riyals 5.4 million were reclassified from the available-for-sale investment reserve to the FVTOCI reserve on January 1, 2018.

**Reclassification of financial assets and financial liabilities that did not result in the change in presentation on the face of consolidated statement of financial position:**

	IAS 39		IFRS 9	
	Classification	December 31, 2017	Classification	December 31, 2017
<b>Financial assets</b>				
Cash at bank and short terms murabaha deposits (included within cash and cash equivalents)	Loans and receivables	20,659	At amortized cost	20,659
Trade and other receivables	Loans and receivables	4,009	At amortized cost	4,009
Employee advances to employees, deposits and bank guarantees (Included within prepayments and other receivables)	Loans and receivables	29,120	At amortized cost	29,120
<b>Financial liabilities</b>				
Trade and other payables	Other financial liabilities at amortized cost	10,750	At amortized cost	10,750

**6 New and amended standards adopted by the Group (continued)**

***Initial adoption of IFRS 9 (Continued)***

The Group has recorded cumulative share of the fair value adjustment to interest rate swaps derivatives designated as hedging instruments placed by its associate as at December 31, 2017. Such interest rate swaps derivatives continued to be qualified as cash flow hedges under IFRS 9. The associate's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges. Therefore, the Group will continue to record the fair value adjustment in the consolidated statement of changes in equity.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model with a forward-looking 'expected credit loss' (ECL) model. Cash at bank, short term murabaha deposits and bank guarantees are placed with banks with sound credit ratings. Employees advances are considered to have low credit risk therefore 12 months expected loss model was used for impairment assessment. Based on management impairment assessment there is no provision required in respect of these balances for all the period presented.

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Further, the expected credit losses also incorporates forward looking information.

The adoption of IFRS 9 did not result in significant change in the recognition, measurement and presentation of amounts recognised in the consolidated statement of profit or loss and the consolidated statement of financial position. Therefore, early adoption of this new standard did not result in significant impact on the Group's financial statements.

***Initial adoption of IFRS 15***

IFRS 15 replaces IAS 18 'Revenue' ("IAS 18"). Under IFRS 15, revenue is recognised when control of the goods or services is transferred to the customer rather than when the significant risk and rewards are transferred. IFRS 15 is to be applied retrospectively using either the retrospective or cumulative effect method. The Group has decided to apply the cumulative effect method. Under the method, the Group is required to recognise the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings on January 1, 2018. Comparative prior periods are not required to be adjusted.

The adoption of IFRS 15 did not result in significant change in the recognition, measurement and presentation of amounts recognised in the consolidated statement of profit or loss and the consolidated statement of financial position.



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**7. Property, plant and equipment**

	Leasehold	Buildings	Plant and	Furniture and	Office	Vehicles	Total
	Improvements		equipment	fixtures	equipment		
<b>Cost</b>							
At January 1, 2018	715	13,688	21,035	515	724	476	37,153
Additions	227	652	352	-	44	-	1,275
Write-offs	(715)	-	-	-	(415)	-	(1,130)
At December 31, 2018	227	14,340	21,387	515	353	476	37,298
<b>Depreciation</b>							
At January 1, 2018	708	1,067	1,893	508	556	455	5,187
Depreciation charge for the year	25	1,100	1,905	7	98	21	3,156
Write-offs	(715)	-	-	-	(370)	-	(1,085)
At December 31, 2018	18	2,167	3,798	515	284	476	7,258
<b>Net book value</b>							
At December 31, 2018	209	12,173	17,589	-	69	-	30,040
At December 31, 2017	7	12,621	19,142	7	168	21	31,966



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**8 Intangibles assets**

<u>Software under development</u>	Note	2018	2017
At January 1, 2017		224	-
Acquisition of a subsidiary	9	-	224
Amortization for the year		(44)	-
At December 31, 2018		180	224

During 2017, the Group designed an internal management reporting program.

**9 Investments**

**9.1 Investment in subsidiaries**

The Group's principal subsidiaries at December 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also its principal place of business.

Subsidiaries	Note	Country of incorporation	Paid up share capital	Effective ownership	
				2018	2017
Zain Industries Company	(i)	Saudi Arabia	60,000	98.75%	98.75%
Alujain Company for Investment	(ii)	Saudi Arabia	100	100%	100%
Alujain Industrial Company	(iii)	Saudi Arabia	100	100%	100%

- iv. Zain Industries Company – a Limited Liability Company (“Zain”) in which the Company owned 49.38% ownership interest as at December 31, 2016. During the year, the Company increased its ownership interest in Zain from 49.38% to 98.75% by purchasing the interest from existing partners (also see Note 9.1). Consequent upon transfer of ownership interest, Zain has been consolidated in the accompanying financial statements with effect from January 1, 2017 (the acquisition date as per the shareholders agreement). Zain is engaged in the business of homecare products (spray starch and air fresheners), insecticides and agricultural pesticides, with manufacturing facility located in Jubail Industrial City, Saudi Arabia.
- v. Alujain Company for Investment - A Sole Proprietor Limited Liability Company (“ACJ”) was incorporated during the year ended December 31, 2017. ACJ’s purpose is to engage in sale and purchase of land and real estate, and provision of commercial and administrative services. However, ACJ has not commenced commercial operations. The Parent Company has transferred 26,008,709 shares held in National Petrochemical Industrial Company Natpet (representing 20% share capital of Natpet) to ACJ under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.
- vi. Alujain Industrial Company - A Sole Proprietor Limited Liability Company (“AIC”) was incorporated during the year ended December 31, 2017. AIC’s purpose is to engage in providing commercial and administrative services. However, AIC has not commenced commercial operations. The Parent Company transferred 26,008,709 shares held in Natpet (representing 20% share capital of Natpet) to AIC under an agreement dated August 17, 2017. Legal formalities to update the share register of Natpet to reflect the new shareholding are under process.

**9.2 Non-controlling interest**

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

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**9. Investments (continued)**

**9.3 Investment in equity accounted investees**

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

	Place of Business / country for incorporation	% Ownership		Nature of relationship	December 31, 2018	December 31, 2017
		2018	2017			
Natpet	Saudi Arabia	57.4%	57.4%	Associate (i)	1,247,341	1,144,445
Zain	Saudi Arabia	98.75%	98.75%	Subsidiary (ii)	-	-
					<b>1,247,341</b>	<b>1,144,445</b>

i. Natpet

The movement in the investment is as follows:

	December 31, 2018	December 31, 2017
January 1	1,144,445	1,102,273
Profit for the year	121,144	133,326
Other Comprehensive loss for the year	(18,248)	(8,958)
Dividends	-	(82,196)
December 31	<b>1,247,341</b>	<b>1,144,445</b>

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

On September 2013, the Natpet shares owned by Alujain 57.4% of Natpet total shares are pledged against Natpet loans from commercial bank.

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

On October 2, 2018, a fire occurred at the plant of National Petrochemical Industrial Company "Natpet" (Associate company) in Yanbu. As a result, the complex is currently not in operation. the Natpet Company has since lodged the claim with the insurance company. Under the insurance policy, the insurance company is responsible to reinstate the plant to its working condition and also compensate the Natpet Company for business interruption. Further, subsequent to the year-end, the Natpet Company also received an interim payment from the insurance company of SR 185 .25 million representing an unallocated amount towards the Company's property damage and business interruption insurance cover. The Natpet Company expects that the construction work shall be completed by August 2019 and the trial run shall commence during October 2019.

Following the incident, the Company estimated the cost of plant and equipment destroyed in fire and wrote off items of plant and equipment which were damaged beyond repair in the fire incident. The net book value of SR 31.1 million has been presented as property and equipment written off in the statement of profit or loss and comprehensive income in Natpet company for the year ended December 31, 2018.

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**9. Investments (continued)**

**9.3 Investment in equity accounted investees (continued)**

The summarised financial results of Natpet are as follows:

<b>Summarized statement of financial position</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Current assets</b>		
Cash and cash equivalents	545,775	259,144
Other current assets	400,016	659,542
<b>Total current assets</b>	<b>945,791</b>	<b>918,686</b>
<b>Non-current assets</b>	<b>1,945,994</b>	<b>2,207,574</b>
<b>Total assets</b>	<b>2,891,785</b>	<b>3,126,260</b>
<b>Current liabilities</b>		
Financial liabilities (excluding trade and other payables and provisions)	307,009	328,187
Other current liabilities	149,982	334,423
<b>Total current liabilities</b>	<b>456,991</b>	<b>662,610</b>
<b>Non-current liabilities</b>		
Financial liabilities	208,658	425,078
Other non-current liabilities	54,781	46,478
<b>Total non-current liabilities</b>	<b>263,439</b>	<b>471,556</b>
<b>Total liabilities</b>	<b>720,430</b>	<b>1,134,166</b>
<b>Net assets</b>	<b>2,171,355</b>	<b>1,992,094</b>

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Opening net assets	1,992,094	1,918,623
Profit for the year	211,054	232,278
Other Comprehensive loss for the year	(25,322)	(15,607)
IFRS adjustments	(6,471)	-
Dividend	-	(143,200)
	<b>2,171,355</b>	<b>1,992,094</b>
Group's share in % (rounded to one decimal)	57.4%	57.4%
Group's share in net assets (computed on absolute share)	1,246,346	1,143,450
Inter-group adjustment	995	995
	<b>1,247,341</b>	<b>1,144,445</b>

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

	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	1,530,029	1,540,078
Depreciation and amortization	209,381	223,222
Financial charges	(34,174)	(44,045)
Zakat	(16,228)	(14,200)
Profit for continuing operations	211,054	232,278
Other Comprehensive Loss	(25,322)	(15,607)
<b>Total comprehensive income for the year</b>	<b>(185,732)</b>	<b>216,671</b>

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**9. Investments (continued)**

**9.3 Investment in equity accounted investees (continued)**

ii. Zain

The movement in the investment is as follows:

	December 31, 2018	December 31, 2017
January 1	-	9,055
Step-acquisition into a subsidiary	-	(9,055)
December 31	<u>-</u>	<u>-</u>

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

During the year 2017, the share purchase agreement and other legal formalities for acquiring additional equity interest in Zain were finalized at purchase consideration of Saudi Riyals 9.05 million which had been advanced in 2016. Prior to share purchase agreement, the Group did not have and never had other than significant influence over Zain and, therefore, the Group never consolidated the financial statements of Zain.

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

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

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

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

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

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**9. Investments (continued)**

**9.3 Investment in equity accounted investees (continued)**

**a. Gain on acquisition of additional 49.37% ownership interest**

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

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

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

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

**ii. Purchase consideration – cash inflow**

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

\* The Parent Company had advanced Saudi Riyals 9.05 million towards the purchase consideration of additional equity interest in Zain during 2016.

**10 Inventories**

	2018	2017
Raw materials	1,534	1,779
Packaging and labels	1,767	1,755
Finished products	758	986
Consumable spares	163	196
Work in progress	3	-
Less: provision for inventory obsolescence	(100)	(100)
	<b>4,125</b>	<b>4,616</b>

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**10 Inventories (Continued)**

The movement in provision for inventory obsolesce is as follows:

	2018	2017
January 1	100	-
Additions	-	100
December 31	<u>100</u>	<u>100</u>

During 2017, Saudi Riyals 15 million were recognized as an expense in the cost of sales (including Saudi Riyals 100,000 recognized to bring the inventory at net realizable value).

**11 Trade and other receivables**

	2018	2017
Trade receivable – net	4,421	4,363
Due from related parties	86	86
Other receivables	111	70
	<u>4,618</u>	<u>4,519</u>
Less: provision for doubtful debts	(510)	(510)
	<u>4,108</u>	<u>4,009</u>

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

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

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

Movement in provision for doubtful debts is as follows:

	2018	2017
January 1	510	-
Additions	-	510
December 31	<u>510</u>	<u>510</u>

The Group has recognized an expense of Saudi Riyals 510,000 (2017: 510,000) relating to the provision for doubtful debts of its trade receivables.

**12 Prepayments and other current assets**

	2018	2017
Prepayments	530	777
Deposits	8	8
Advances to employees	403	627
Advances to suppliers and contractors	636	1,368
Deposit against bank guarantee	28,485	28,485
	<u>30,062</u>	<u>31,265</u>

**13 Cash and cash equivalents**

	2018	2017
Cash in hand	43	38
Cash at banks	8,331	9,538
Short term deposits - murabaha deposits	1,000	11,321
	<u>9,374</u>	<u>20,897</u>

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



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**14 Share capital**

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

**15 Statutory reserve**

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

**16 Employees defined benefit liabilities**

**16.1 General description of the plan**

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

	2018	2017
Defined benefits obligation	<u>4,370</u>	<u>4,628</u>

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

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

	Note	2018	2017
January 1		4,628	4,831
Acquisition of a subsidiary	9	-	1,451
Current service cost		722	697
Past service cost		-	34
Financial charges		226	313
Benefits paid		(426)	(2,155)
<b>Actuarial (loss) gain on the obligation</b>			
Effect of changes in financial assumptions		(346)	109
Effect of experience adjustments		(434)	358
Transfer of an employee obligation to a related party		-	(1,010)
December 31		<u>4,370</u>	<u>4,628</u>

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

	2018	2017
Current service cost	722	697
Past service cost	-	34
Financial charges	226	313
Benefit expense	<u>948</u>	<u>1,044</u>

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**16 Employees defined benefit liabilities (continued)**

**16.1 General description of the plan (Continued)**

Net actuarial (loss) / gain on the obligation for the year is as follows:

	December 31, 2018	December 31, 2017
Effect of changes in financial assumptions	(346)	109
Experience adjustment	(434)	358
Actuarial (loss) gain on the obligation	<u>(780)</u>	<u>467</u>

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

	December 31, 2018	December 31, 2017
1 - 5 years	1,277	1,262
Over 5 years	2,578	2,855

**16.2 Actuarial assumptions**

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

	2018	2017
Discount rate	5.2% - 5.25%	5%
Future salary growth	5% - 10%	6% - 10%
Employee turnover*	2% - 10%	2% - 10%
Duration of the defined benefit plan obligation	15.8 - 16.2	16.6 - 18.1

\* Based on attrition rate assumption for each age band.

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

**Discount rate:**

	2018	2017
1% increase in discount rate	(322)	(561)
1% decrease in discount rate	(285)	745

**Future salary growth:**

	2018	2017
1% increase in salary escalation rate	430	712
1% decrease in salary escalation rate	(644)	(548)

**Mortality rate:**

	2018	2017
Mortality Rate: Increase by 20%	(162)	15
Mortality Rate: Decrease by 20%	(149)	31

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

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

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**17 Trade and other payables**

	2018	2017
Trade payables	3,343	3,297
Dividend payable	692	1,040
Other payable	6,413	6,413
	<b>10,448</b>	<b>10,750</b>

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

**18 Accrued and other current liabilities**

	2018	2017
Accrued expenses	597	700
Accrued professional fees	1,495	1,725
Issues provision	1,000	-
Accrued employee related cost	962	548
VAT payable	68	-
	<b>4,122</b>	<b>2,973</b>

**19 Zakat**

**19.1 Components of zakat base**

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

**19.2 Provision for zakat**

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

	2018	2017
January 1	1,757	1,783
Acquisition of a subsidiary (Note 9)	-	583
Provided during the year	1,433	1,323
Adjustment - prior year	-	8
Paid during the year	(1,466)	(1,940)
December 31	<b>1,724</b>	<b>1,757</b>

**19.3 Status of assessments**

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

As at December 31, 2018, The Company has filed its zakat declaration to the General Authority of Zakat and Income Tax (the "GAZT") in the Kingdom of Saudi Arabia for all years up to December 31, 2017, and the Parent Company has received assessment orders for the years 2003 to 2007, 2008 to 2010, 2011 and 2012, and 2013 to 2016 from GAZT. The additional assessed liability under such assessment orders have arisen mainly from the GAZT not allowing the deduction of investment and accumulated losses for the years 2003 through 2016. Details of the assessment orders are as follows:

**Assessment order received in prior years**

*Assessment order for the years 2003 to 2007*

The company filed its zakat return for the years 2003 through 2007. The tax authorities issued its assessment for the said years and claimed additional zakat difference of SR 5.4 million. The company objected to the said assessments and has lodged the bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also see Note 30 for the guarantee given by the Parent Company.

*Assessment order for the years 2008 to 2010*

The company filed its zakat return for the years 2008 through 2010. The tax authorities issued its assessment for the said years and claimed additional zakat difference of SR 16.87 million. The company objected to the said assessments and has lodged a bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also see Note 30 for the guarantee given by the Parent Company.

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**19 Zakat (continued)**

*Assessment order for the years 2011 to 2012*

The company filed its zakat return for the years 2011 and 2012. The tax authorities issued its assessment for the said years and claimed additional zakat difference of SR 6.7 million. The company objected to the said assessments and has lodged the bank guarantee against the additional liability. The appeal is currently lodged with the Higher Appeal Committee. The Parent Company believes its position to be robust in its interpretation of zakat obligation. Also see Note 30 for the guarantee given by the Parent Company.

*Assessment order for the years 2013 to 2016*

The company filed its zakat return for the years 2013 through 2016. The tax authorities issued its assessment for the said years and claimed additional zakat difference of SR 3.5 million. The company objected to the said assessments and currently the appeal is under review. The Parent Company believes its position to be robust in its interpretation of zakat obligation.

**20 Cost of sales**

	<b>2018</b>	<b>2017</b>
Cost of materials	15,227	15,449
Depreciation	3,081	3,024
Employee cost	1,341	1,473
Rent and utilities	595	415
Repairs and maintenance	565	325
Other overheads	426	312
	<b>21,235</b>	<b>20,998</b>

**21 Selling and marketing expenses**

	<b>2018</b>	<b>2017</b>
Employee cost	1,797	2,055
Distribution and freight	1,169	1,112
Rent	107	139
Other	392	160
	<b>3,465</b>	<b>3,466</b>

**22 General and administrative expenses**

	<b>2018</b>	<b>2017</b>
Employee cost and other compensation	10,839	14,295
Legal and professional fees	1,330	2,859
Issues provision	1,000	-
Public relation and publicity	877	784
Rent	492	410
Depreciation	75	165
Meetings, seminars and conferences	258	375
Travel and accommodation	392	797
Utilities and services	67	132
Subscriptions and office supplies	111	147
Information technology	113	27
Repairs and maintenance	48	46
Provision for doubtful debt	-	510
Reversal of provision for due from a related party (Note 11)	-	(5,167)
Other	837	850
	<b>16,439</b>	<b>16,230</b>

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

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**23 Earnings per share**

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

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

There has been no item of dilution affecting the weighted average number of shares during the year (December 31, 2017: Nil).

	2018	2017
Income for the year attributable to ordinary equity holders	104,750	136,198
Weighted average number of ordinary shares ('000)	69,200	69,200
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company	1.51	1.97

**24 Segment reporting**

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

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

In 2017, the Group acquired controlling interest in Zain which is engaged in the manufacturing of home care products. Subsequent to such acquisition, CODM now reviews the operations principally in the following two operating segments:

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

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

Selected financial information summarized by the above operating segments is as follows:

	Investments	Manufacturing of home-care products	Unallocated	Total
<b>31 December 2018</b>				
Revenues	-	25,871	-	25,871
Cost of sales excluding depreciation	-	(18,154)	-	(18,154)
Depreciation	-	(3,081)	(75)	(3,156)
Share in net profit of an equity accounted investee*	121,144	-	-	121,144
Selling and marketing expenses	-	(3,465)	-	(3,465)
General and administration expenses	-	(3,447)	(12,917)	(16,364)
Finance income	-	112	167	279
Segment results (profit before zakat)	121,144	(2,164)	(12,825)	106,155

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**23 Earnings per share (continued)**

	Investments	Manufacturing of home-care products	Unallocated	Total
<b>31 December 2017</b>				
Revenues	-	28,322	-	28,322
Cost of sales excluding depreciation	-	(17,974)	-	(17,974)
Depreciation	-	(3,024)	(165)	(3,189)
Share in net profit of an equity accounted investee*	133,326	-	-	133,326
Gain on acquisition of a subsidiary	-	-	15,977	15,977
Selling and marketing expenses	-	(3,466)	-	(3,466)
General and administration expenses	-	(5,214)	(10,851)	(16,065)
Finance income	-	250	330	580
Segment results (profit before zakat)	133,326	(1,106)	5,291	137,511

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

<b>Total assets and liabilities as at December 31, 2018</b>	Investments	Manufacturing of home-care products	Unallocated	Total
Total assets	1,247,341	42,773	35,116	1,325,230
Total liabilities	-	11,754	8,910	20,664

<b>Total assets and liabilities as at December 31, 2017</b>	Investments	Manufacturing of home-care products	Unallocated	Total
Total assets	1,144,445	49,968	43,009	1,237,422
Total liabilities	-	11,764	8,344	20,108

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

	2018	2017
<b>Geographic information</b>		
Revenue from external customers		
Local sales	25,871	28,322
Export sales – Middle East	(379)	(229)
<b>Total</b>	<b>25,492</b>	<b>28,093</b>

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

**25 Operating leases**

The Group has various operating leases for its office and vehicles. Rental expenses for the year ended December 31, 2018 were Saudi Riyals 0,67 million (2017: Saudi Riyals 0.55 million).

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

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**26 Related party transactions and balances**

**Related party transactions**

**Parent entities**

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

Interest in subsidiaries, joint ventures and equity accounted investees

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

**Key management compensation**

	2018	2017
Short-term employee benefits	955	2,502
Termination benefits	65	281
	<u>1,020</u>	<u>2,783</u>

**Directors and other committees' remuneration and related expenses**

	Year ended December 31,	
	2018	2017
Compensation of the executive directors	1,928	1,837
Board of directors' remuneration	841	2,375
Board of Directors' and related committees' attendance fees and expenses	560	635
	<u>3,329</u>	<u>4,847</u>

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

Related party	Nature of transaction	Relationship	2018	2017
Natpet	Expense charged – net	Significant influence	-	317
Natpet	Dividends	Significant influence	-	82,196
Xenel Industries Limited *	Expense charged – net	Significant influence through common directorship	-	1,057
Safra Company Limited *	Expense charged – net	Significant influence through common directorship	-	21

\* Xenel Industries Limited and Safra Company Limited were related to the Group till December 21, 2017. All the transaction incurred with these Companies till the said date have been disclosed as related party transactions. Balance with these parties at December 31, 2018 and December 31, 2017 are not disclosed under 'related party balances'.

**26 Related party transactions and balances (continued)**

**Terms and conditions of transactions with related parties**

Transaction with the related parties are undertaken at mutually agreed prices and are approved by the management. Outstanding balances as at December 31, 2018 are unsecured, interest free and settled in cash. For the year ended December 31, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

**Related party balances**

Related party	Relationship	2018	2017
<b>Included within "trade and other receivables"</b>			
i) Amounts due from related parties			
Natpet	Significant influence	<u>86</u>	<u>86</u>
		<b>86</b>	<b>86</b>
<b>Included within "accrued and other current liabilities"</b>			
ii) Amounts due to related parties			
Board of directors	Board of directors	<u>104</u>	<u>-</u>
		<b>104</b>	<b>-</b>

**27 Fair value estimation**

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

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

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

As at December 31, 2018 and December 31, 2017, all of the Group's financial assets are currently classified as loans and receivables and measured at amortised cost. Further, all of Group's financial liabilities are currently classified as payables and their fair values are estimated to approximate their carrying values.

Consolidated financial statements do not include any financial instruments at December 31, 2018 and December 31, 2017. The Group has an AFS investment which is fully impaired at December 31, 2018 and December 31, 2017.



**28 Financial risk management**

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

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

**a) Market risk**

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

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

**i. Currency risk**

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

**ii. Interest rate risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

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

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

Short-term deposits yield market rate of interest.

**iii. Price risk**

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

**b) Credit risk**

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

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

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(All amounts in Saudi Riyals thousands unless otherwise stated)

**28 Financial risk management (continued)**

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

	2018	2017
<b>Financial assets</b>		
Trade and other receivables	3,998	4,009
Cash and cash equivalents	9,331	20,859
	<u>13,329</u>	<u>24,868</u>

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

The fair value of cash and cash equivalents at December 31, 2018 and 2017 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

	2018	2017
<b>Neither past due not impaired:</b>	<u>2,964</u>	<u>2,975</u>
	2,964	2,975
<b>Past due but not impaired:</b>		
- Less than 180 days overdue	685	655
- 180 to 360 days overdue	772	733
Total past due but not impaired	<u>1,457</u>	<u>1,388</u>
<b>Individually determined to be impaired (gross)</b>		
- 180 to 360 days overdue	-	-
- More than 360 days	510	510
Total individually determined to be impaired	<u>510</u>	<u>510</u>
Less: provision for doubtful debts	(510)	(510)
<b>Total trade receivables, net of provision for impairment</b>	<u>4,421</u>	<u>4,363</u>

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

	2018	2017
A-	7,281	8,988
BBB+	2,050	11,871
<b>Total cash at bank and short-term deposits</b>	<u>9,331</u>	<u>20,859</u>

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

**c) Liquidity risk**

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

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

**ALUJAIN CORPORATION**  
**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**28 Financial risk management (continued)**

The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at December 31, 2018.

	Demand less than 1 month	From 1 month to 3 months	From 3 to 12 months	From 1 year to 2 years	From 2 to 3 years	Total
<b>2018</b>						
Accounts payable	1,041	1,018	31	26	1,227	3,343
Accrued and other current liabilities	581	-	2,391	-	1,150	4,122
	<u>1,622</u>	<u>1,018</u>	<u>2,422</u>	<u>26</u>	<u>2,377</u>	<u>7,465</u>
<b>2017</b>						
Accounts payable	1,279	640	1,378	-	-	3,297
Accrued and other current liabilities	619	129	2,225	-	-	2,973
	<u>1,898</u>	<u>769</u>	<u>3,603</u>	<u>-</u>	<u>-</u>	<u>6,270</u>

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

**d) Capital risk management**

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

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

**29 Appropriation of net income**

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

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

**30 Contingencies and commitments**

The Parent Company has submitted bank guarantees against the open zakat assessments amounting to Saudi Riyals 28,485 million (December 31, 2017: Saudi Riyals 28,485 million) (see note 19).

**31 Subsequent event**

No events occurred after 31 December 2018 and before the date of signing the auditor's report have a significant effect on the consolidated financial statements.

**32 Approval of consolidated financial statements**

The consolidated financial statements including notes and other explanatory information was approved and authorised for issue by the Board of Directors (BoD) on 4 shaban 1440H (9 april 2019).

