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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018
AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Crowe Horwath™
**Al Azem & Al Sudairy**
CPA's & Consultants
Member Crowe Horwath International

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

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# INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**The Shareholders**
**Alujain Corporation**
**(A Saudi Joint Stock Company)**

## Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Alujain Corporation (the "Company") and its subsidiaries (the "Group")** as at 30 September 2018, and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three and nine months periods ended 30 September 2018, and the related condensed consolidated interim statements of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory note. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

## Emphasis of Matter

We draw attention to note (12) of the condensed consolidated interim financial statements which describes that fire occurred at the plant of National Petrochemical Industrial Company "Natpet" (Associate company) on October 2, 2018. The incurred losses has not been estimated up to issuance these condensed consolidated interim financial statements. Our conclusion is not modified in respect of this matter.

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

29 Safar 1440H (November 7, 2018)
Riyadh, Kingdom of Saudi Arabia

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

**Condensed consolidated interim statement of financial position**
**As of September 30, 2018 (Unaudited)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

| Assets | Note | 30September, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **30,632** | 31,966 |
| Intangible asset | | **224** | 224 |
| Investment accounted for using equity method | 4 | **1,311,461** | 1,144,445 |
| **Total non-current assets** | | **1,342,317** | 1,176,635 |
| **Current assets** | | | |
| Inventories | | **4,725** | 4,616 |
| Trade and other receivables | | **3,459** | 4,009 |
| Prepayments and other current assets | | **30,404** | 31,265 |
| Cash and cash equivalents | | **9,963** | 20,897 |
| **Total current assets** | | **48,551** | 60,787 |
| **Total assets** | | **1,390,868** | 1,237,422 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 5 | **692,000** | 692,000 |
| Statutory reserve | 6 | **90,928** | 75,524 |
| Retained earnings | | **593,040** | 455,753 |
| Cash flow hedge reserve | | **827** | (995) |
| Available-for-sale investment reserve | | **-** | (5,381) |
| Fair value through Other Comprehensive Income (FVTOCI) reserve | | **(5,381)** | - |
| **Equity attributable to the shareholders of Alujain Corporation (Parent Company)** | | **1,371,414** | 1,216,901 |
| Non-controlling interests | | **386** | 413 |
| **Total equity** | | **1,371,800** | 1,217,314 |
| **Non-current liability** | | | |
| Employees defined benefits | | **4,595** | 4,628 |
| **Total non-current liability** | | **4,595** | 4,628 |
| **Current liabilities** | | | |
| Trade and other payables | | **10,577** | 10,750 |
| Accrued and other current liabilities | | **2,315** | 2,973 |
| Zakat payable | | **1,581** | 1,757 |
| **Total current liabilities** | | **14,473** | 15,480 |
| **Total liabilities** | | **19,068** | 20,108 |
| **Total equity and liabilities** | | **1,390,868** | 1,237,422 |

Abdullah Bin Owdah Alenazi
Designated Member and CEO

Saleem Akhtar
CFO

The accompanying notes (1) to (14) form an integral part of these condensed consolidated interim financial statements.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

**Condensed consolidated interim statement of profit or loss**
**For the three-month and nine-month period ended September 30, 2018 (Unaudited)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | For the three-month ended 30 September 2018 (Unaudited) | 30 September 2017 (Unaudited) | For the nine month ended 30 September 2018 (Unaudited) | 30 September 2017 (Unaudited) |
|---|---|---|---|---|---|
| Revenues | | 6,738 | 7,046 | 18,852 | 21,425 |
| Cost of sales | | (5,321) | (5,257) | (15,786) | (15,476) |
| **Gross profit** | | 1,417 | 1,789 | 3,066 | 5,949 |
| Share in net income of an equity accounted investment | 4 | 30,165 | 39,364 | 166,543 | 86,860 |
| Selling and marketing expenses | | (791) | (823) | (2,553) | (2,592) |
| General and administration expenses | | (2,968) | (3,778) | (12,087) | (11,743) |
| Other income | | 115 | 12 | 115 | 12 |
| **Operating profit** | | 27,938 | 36,564 | 155,084 | 78,486 |
| Finance income – murabaha deposits | | 79 | 43 | 219 | 433 |
| Profit before zakat | | 28,017 | 36,607 | 155,303 | 78,919 |
| Zakat expense | 7 | (428) | (483) | (1,290) | (1,449) |
| Profit for the period | | 27,589 | 36,124 | 154,013 | 77,470 |
| Attributable to: | | | | | |
| Shareholders of the Parent Company | | 27,590 | 36,124 | 154,040 | 77,470 |
| Non-controlling interests | | (1) | - | (27) | - |
| **Profit for the period** | | 27,589 | 36,124 | 154,013 | 77,470 |
| **Earnings per share** | | | | | |
| Weighted average number of ordinary shares ('000) | | 69,200 | 69,200 | 69,200 | 69,200 |
| Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company (Saudi Riyals) | 8 | 0,40 | 0,52 | 2,23 | 1,12 |

The accompanying notes (1) to (14) form an integral part of these condensed consolidated interim financial statements.

Abdullah Bin Owdah Alenazi
Designated Member and CEO

Saleem Akhtar
CFO

**Condensed consolidated interim statement of comprehensive income**
**For the three-month and nine-month period ended September 30, 2018 (Unaudited)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | | For the three-month period ended | | For the nine month Ended | |
|---|---|---|---|---|---|
| | Note | **30 September 2018 (Unaudited)** | 30 September 2017 (Unaudited) | **30 September 2018 (Unaudited)** | 30 September 2017 (Unaudited) |
| Profit for the period | | **27,589** | 36,124 | **154,013** | 77,470 |
| **Other comprehensive income (loss)** | | | | | |
| Items that may be reclassified to statement of profit or loss: | | | | | |
| Share in other comprehensive income (loss) of equity accounted investees | 4 | **247** | (1,478) | **1,822** | (3,017) |
| **Total comprehensive income for the period** | | **27,836** | 34,646 | **155,835** | 74,453 |
| Attributable to: | | | | | |
| Shareholders of the Parent Company | | **27,837** | 34,646 | **155,862** | 74,453 |
| Non-controlling interests | | **(1)** | - | **(27)** | - |
| | | **27,836** | 34,646 | **155,835** | 74,453 |

The accompanying notes (1) to (14) form an integral part of these condensed consolidated interim financial statements.

Abdullah Bin Owdah Alenazi
Designated Member and CEO

Saleem Akhtar
CFO

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

**Condensed consolidated interim statement of changes in equity**
**For the nine months period ended September 30, 2018 (Unaudited)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | | Attributable to the shareholders of Alujain Corporation | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital (Unaudited) | Statutory reserve (Unaudited) | Retained earnings (Unaudited) | Cash flow hedge reserve (Unaudited) | Available-for-sale investment reserve (Unaudited) | FVTOCI reserve (Unaudited) | Total (Unaudited) | Non-controlling interest (Unaudited) | Total (Unaudited) |
| **As at January 1, 2018 (audited)** | | **692,000** | **75,524** | **455,753** | **(995)** | **(5,381)** | **-** | **1,216,901** | **413** | **1,217,314** |
| Reclassification | 2-5 | - | - | - | | 5,381 | (5,381) | - | - | - |
| Net profit (loss) for the period | | - | - | 154,040 | - | - | - | 154,040 | (27) | 154,013 |
| Other comprehensive income for the period | | - | - | - | 1,822 | - | - | 1,822 | - | 1,822 |
| Total comprehensive income (loss) for the period | | - | - | 154,040 | 1,822 | - | - | **155,862** | **(27)** | **155,835** |
| IFRS adjustments | 4 | - | - | (1,349) | - | - | - | **(1,349)** | **-** | **(1,349)** |
| Transfer to statutory reserve | | - | 15,404 | (15,404) | - | - | - | - | - | - |
| **As at September 30, 2018 (unaudited)** | | 692,000 | 90,928 | 593,040 | 827 | - | (5,381) | 1,371,414 | 386 | 1,371,800 |
| **As at January 1, 2017 (audited)** | | 692,000 | 61,904 | 404,915 | 509 | - | - | 1,159,328 | - | 1,159,328 |
| Net profit for the period | | - | - | 77,470 | - | - | - | 77,470 | - | 77,470 |
| Other comprehensive loss for the period | | - | - | - | (3,017) | - | - | (3,017) | - | (3,017) |
| Total comprehensive income (loss) for the period | | - | - | 77,470 | (3,017) | - | - | 74,453 | - | 74,453 |
| Transfer to statutory reserve | | | 7,747 | (7,747) | - | - | - | - | - | - |
| Dividend | | - | - | (69,200) | - | - | - | (69,200) | - | (69,200) |
| Non-controlling interest acquired | | - | - | - | - | - | - | - | 229 | 229 |
| **As at September30, 2017 (unaudited)** | | 692,000 | 69,651 | 405,438 | (2,508) | - | - | 1,164,581 | 229 | 1,164,810 |

The accompanying notes (1) to (14) form an integral part of these condensed consolidated interim financial statements.

Abdullah Bin Owdah Alenazi
Designated Member and CEO

Saleem Akhtar
CFO

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

**Condensed consolidated interim statement of cash flows**
**For the nine months period ended September 30, 2018 (Unaudited)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | For the nine months ended September 30 2018 (Unaudited) | September 30 2017 (Unaudited) |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before zakat | | **155,303** | 78,919 |
| Adjustments for: | | | |
| Depreciation | | **2,370** | 2,772 |
| Employee defined benefit expenses | | **1,010** | 939 |
| Share in net income of equity accounted investees | 4 | **(166,543)** | (86,860) |
| Working capital adjustments: | | | |
| Inventories | | **(109)** | 13 |
| Trade and other receivables | | **550** | 1,404 |
| Prepayments and other current assets | | **861** | (1,010) |
| Trade and other payables | | **(173)** | (2,190) |
| Accrued and other current liabilities | | **(615)** | (3,618) |
| **Net cash outflows from operations** | | **(7,346)** | (9,631) |
| Employees defined benefits paid | | **(1,043)** | (1,346) |
| Zakat paid | 7 | **(1,466)** | (1,357) |
| **Net cash outflows from operating activities** | | **(9,855)** | (12,334) |
| **Cash flow from investing activities** | | | |
| Addition to property, plant and equipment | | **(1,036)** | (578) |
| Cash acquired on acquisition of a subsidiary | | **-** | 14,136 |
| Dividends received from equity accounted investee | | **-** | 82,196 |
| **Net cash (outflow) inflows from investing activities** | | **(1,036)** | 95,754 |
| **Cash flows from financing activities** | | | |
| Dividend paid to shareholders | | **(43)** | (67,953) |
| **Net cash used in financing activities** | | **(43)** | (67,953) |
| **Net change in cash and cash equivalents** | | **(10,934)** | 15,467 |
| Cash and cash equivalents at the beginning of the period | | **20,897** | 12,687 |
| **Cash and cash equivalents at the end of the period** | | **9,963** | 28,154 |
| **Non-cash transactions** | | | |
| De-recognition of carrying value of equity accounted investee | | - | 9,055 |
| Consideration towards acquisition of subsidiary adjusted against due from related party | | - | 9,052 |
| Dividends payable to shareholders | | - | 1,247 |
| Transfer of employee defined benefit liabilities to a related party | | - | 1,010 |

The accompanying notes (1) to (14) form an integral part of these condensed consolidated interim financial statements.

Abdullah Bin Owdah Alenazi
Designated Member and CEO

Saleem Akhtar
CFO

(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 Parent Company is listed on the Saudi Stock Exchange.

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

The head office of the Parent Company is located in Jeddah registered under the Parent Company's commercial registration. Also, the Parent Company has a following branch:

| Branch location | Commercial registration number |
|---|---|
| Riyadh | 1010614417 |

The condensed consolidated interim financial statements comprise the financial statements of the Company and its following subsidiaries (the "Group") as at September 30, 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.

## 2 Basis of preparation

### 2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") and other standards and pronouncements, as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA").

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017.

The Group's date of transition to IFRS that are endorsed by SOCPA in the KSA as well as other standards and pronouncements issued by SOCPA was January 1, 2016. The Group prepared its condensed consolidated interim financial statements for all the periods as of and upto year ended December 31, 2016 in accordance with local generally accepted accounting principles as issued by SOCPA ("Previous GAAP").

## 2 Basis of preparation (continued)

### a.) Basis of measurement

The condensed consolidated interim financial information has been prepared on a historical cost basis using the accrual basis of accounting, except for available for sale ("AFS") investment, that have been measured at fair value. For employees defined benefit liabilities, actuarial present value calculations are used based on project unit credit method.

In addition, results for the interim period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2018.

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 2.5.

### b.) Functional and presentation currency

The condensed interim 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.

### 2.2 Change in accounting treatment of previously recognised subsidiary from previously published consolidated financial statements on adoption of IFRS 1 'First-time Adoption of International Financial Reporting Standards ("IFRS 1")

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

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

In preparing the condensed consolidated financial information for the three-month and nine-month period ended September 30, 2017, and consolidated financial statements for the year ended December 31, 2017, the Group has de-consolidated NATPET results from the IFRS transition date (January 1, 2016) and recognised the investee using the equity method following the requirements of IFRS 1 and International Accounting Standard 28 ("IAS 28") "investment in associates and joint ventures". Under the equity method, investment has been recognized at initial cost thereafter adjusted to recognise Group's share of net profit or loss and other comprehensive income of the investee till IFRS transition date.

## 2 Basis of preparation (continued)

### 2-3 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 off during the year / period are included in the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statement of income.

## 2 Basis of preparation (continued)

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

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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statement of income.

## 2 Basis of preparation (continued)

### 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.

### 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 companies regulations of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### Inter-group loans

The Group recognises any loans obtained from the shareholder of subsidiaries as a financial liability and classifies it under the current liabilities. Such loans are repayable at the request and the Group does not have an unconditional right to avoid settlement of such obligation.

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 2-4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's condensed consolidated interim 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 condensed consolidated interim financial statements and the related timing of adoption.

| *Standard/ Interpretation* | *Description* | *Effective from periods beginning on or after the following date* |
|---|---|---|
| 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 |
| Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation | This amendment relates to the modification of a financial liability measured at amortized cost. | January 1, 2019 |
| Annual improvements 2015–2017 | These amendments include minor changes to:<br>• IFRS 3, 'Business combinations'<br>• IFRS 11, 'Joint arrangements'<br>• IAS 12, 'Income taxes'<br>• IAS 23, 'Borrowing costs' | 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 |
| Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' | These amendments relates to the use of assumptions by an entity to determine the amounts recognized in the statement of profit or loss. | 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 condensed consolidated interim financial statements.

### 2-5 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")*.

(All amounts in Saudi Riyals thousands unless otherwise stated)

***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 condensed consolidated interim 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 he 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 condensed interim statement of financial position:***

| | IAS 39 | | IFRS 9 | |
|---|---|---|---|---|
| | Classification | December 31, 2017 | Classification | December 31, 2017 |
| **Financial assets** | | | | |
| 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 |
| **Financial liabilities** | | | | |
| Trade and other payables | Other financial liabilities at amortized cost | 10,750 | At amortized cost | 10,750 |

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.

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

**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 condensed consolidated interim statement of profit or loss and the condensed consolidated interim 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 condensed consolidated interim statement of profit or loss and the condensed consolidated interim statement of financial position.

2-6 Significant accounting estimates and judgments

The preparation of the Group's condensed interim 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 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 the future.

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 recognized 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. The estimates and assumptions applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the previous financial year ended December 31, 2017.

## 3 Changes in the accounting policies from the latest annual consolidated financial statements for the year ended December 31, 2017

The accounting policies adopted by the Group for the preparation of this condensed consolidated interim financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the following:

### 3.1 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.

### 3.1 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.

### 3.2 Impairment

*Financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 2.4 details how the Group determines impairment methodology for other receivables.

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

*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 condensed consolidated interim 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 condensed consolidated interim 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 3.3 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.

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 condensed consolidated interim 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:

<u>Sale of goods</u>
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.

## 4 Investment in equity accounted investees

Investment in equity accounted investees consists of the following:

| | **30September, 2018 (Unaudited)** | December 31, 2017 (Audited) |
|---|---|---|
| Investment in Natpet – associate | **1,311,461** | 1,144,445 |
| | **1,311,461** | 1,144,445 |

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 4 Investment in equity accounted investees (continued)

The movement in investment is as follows:

| | 30September, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|
| Beginning of the period / year | 1,144,445 | 1,102,273 |
| Share in net profit or loss for the period / year | 166,543 | 133,326 |
| Share in other comprehensive income (loss) for the period / year | 1,822 | (8,958) |
| IFRS adjustment * | (1,349) | - |
| Dividends received | - | (82,196) |
| End of the period / year | 1,311,461 | 1,144,445 |

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.

* This represents adjustment from subsidiary of Petrochemical Industrial Company "Natpet" (Associate company) as a result of conversion from SOCPA accounting framework to IFRS, which has been charged to retained earnings for the nine month period ended September 30, 2018, since the amount was not considered material to the balance of retained earnings as of January 1, 2017.

The aggregated assets and liabilities of Natpet are as follows:

| | 30September, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|
| Total assets | 3,260,629 | 3,126,260 |
| Total liabilities | (977,564) | (1,134,166) |
| Net assets | 2,283,065 | 1,992,094 |

A reconciliation of equity is as follows:

| | 30September, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|
| Opening net assets | 1,992,094 | 1,918,623 |
| Profit for the period / year | 290,148 | 232,278 |
| Comprehensive income (loss) for the period / year | 3,173 | (15,607) |
| IFRS adjustments | (2,350) | - |
| Dividend | - | (143,200) |
| | 2,283,065 | 1,992,094 |
| Group's share in % (rounded to one decimal) | 57.4% | 57.4% |
| Group's share in net assets (computed on absolute share) | 1,310,466 | 1,143,450 |
| Inter-group adjustment | 995 | 995 |
| | 1,311,461 | 1,144,445 |

Summary of statements of profit or loss and comprehensive income is as follows:

| | For the nine month Ended 30 September | |
|---|---|---|
| | 2018 (Unaudited) | 2017 (Unaudited) |
| Revenues | 1,334,931 | 1,077,616 |
| Operating profit | 343,964 | 202,229 |
| Profit before zakat | 302,798 | 161,925 |
| Profit for the period | 290,148 | 151,325 |
| Total comprehensive income for the period | 293,321 | 146,068 |

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 5 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.

## 6 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.

## 7 Zakat

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

| | **30 September, 2018 (Unaudited)** | December 31, 2017 (Audited) |
|---|---|---|
| At beginning of the period / year | **1,757** | 1,783 |
| Acquisition of a subsidiary | **-** | 583 |
| Provided during the period / year | **1,290** | 1,323 |
| Adjustment - prior year | **-** | 8 |
| Paid during the period / year | **(1,466)** | (1,940) |
| At the end of the period / year | **1,581** | 1,757 |

### Status of assessments

There has been no major change in the status of assessments as compared to the year ended December 31, 2017. Management believes that the current provision is adequate to cover any impact on finalization of the open assessments.

## 8 Earnings per share

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

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 period (2017: Nil).

## 9 Segment reporting

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

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 9 Segment reporting (continued)

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

| | Investments | Manufacturing of home-care products | Unallocated | Total |
|---|---|---|---|---|
| **September 30, 2018 - unaudited** | | | | |
| Revenues | - | 18,852 | - | 18,852 |
| Cost of sales excluding depreciation | - | (13,475) | - | (13,475) |
| Depreciation | - | (2,311) | (59) | (2,370) |
| Share in net income of an equity accounted investee | 166,543 | - | - | 166,543 |
| Selling and marketing expenses | - | (2,553) | - | (2,553) |
| General and administration expenses | - | (2,567) | (9,461) | (12,028) |
| Other income | - | 115 | | 115 |
| Finance income | - | 66 | 153 | 219 |
| Segment results (profit before zakat) | 166,543 | (1,873) | (9,367) | 155,303 |
| **September 30, 2017 – unaudited** | | | | |
| Revenues | - | 21,425 | - | 21,425 |
| Cost of sales excluding depreciation | - | (12,834) | - | (12,834) |
| Depreciation | - | (2,642) | (130) | (2,772) |
| Share in net profit of an equity accounted investee* | 86,860 | - | - | 86,860 |
| Selling and marketing expenses | - | (2,592) | - | (2,592) |
| General and administration expenses | - | (3,138) | (8,475) | (11,613) |
| Other income | | 12 | | 12 |
| Finance income | - | 167 | 266 | 433 |
| Segment results (profit before zakat) | 86,860 | 398 | (8,339) | 78,919 |

| | Investments | Manufacturing of Home-care products | Unallocated | Total |
|---|---|---|---|---|
| **Total assets and liabilities as at september 30, 2018 - unaudited** | | | | |
| Total assets | **1,311,461** | **44,139** | **35,268** | **1,390,868** |
| Total liabilities | - | **11,041** | **8,027** | **19,068** |
| **Total assets and liabilities as at December 31, 2017 - audited** | | | | |
| 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 period is as follows:**

| | For the nine month Ended 30 September | |
|---|---|---|
| | **2018 (Unaudited)** | 2017 (Unaudited) |
| **Geographic information** | | |
| Revenue from external customers | | |
| Local sales | **18,473** | 21,196 |
| Export sales | **379** | 229 |
| **Total** | **18,852** | 21,425 |

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 10 Fair value measurement of financial instruments

The management assessed that the fair value of all financial assets and financial liabilities approximate their carrying amounts largely due to their short-term maturities.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at september 30, 2018.

## 11 Related party transactions and balances

**Key management compensation**

| | For the nine month Ended 30 September | |
|---|---|---|
| | **2018 (Unaudited)** | 2017 (Unaudited) |
| Short-term benefits | **742** | 2,223 |
| Termination benefits | **48** | 265 |
| | **790** | 2,488 |

| | For the nine month Ended 30 September | |
|---|---|---|
| | **2018 (Unaudited)** | 2017 (Unaudited) |
| Board of directors and committees | **2,696** | 4,056 |

**Transactions with related parties**

| Related party | Nature of transaction | Relationship | For the nine month Ended 30 September 2018 (Unaudited) | 2017 (Unaudited) |
|---|---|---|---|---|
| Natpet | Expense charged - Net | Associate | - | 347 |
| | Dividends | | - | 82,196 |
| Xenel Industries Limited ("Xenel")* | Expense charged - Net | Significant influence through common directorship | - | 1,057 |
| Safra Company Limited * | Expense charged - Net | Significant influence through common directorship | - | 2 |

* Xenel Industries Limited and Safra Company Limited were related to the Group till December 21, 2017. All the transactions incurred with these companies during the nine-month period ended september 30, 2017 have been disclosed as related party transactions. The transactions and balances with these companies at september 30, 2018 and December 31, 2017 are not disclosed under 'related party balances'.

**Related party balances**

| Related party | Relationship | 30September, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|---|
| a) Amounts due from related parties | | | |
| Natpet | Associate | **86** | 86 |
| | | **86** | 86 |

**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 balance as at september 30, 2018 are unsecured, interest free and settled in cash. For the period ended September 30, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

## 12 Subesequent event

Subsequent to the period end, a fire occurred at the plant of National Petrochemical Industrial Company "Natpet" (Associate company) in Yanbu on October 2, 2018. As a result, the complex is currently not in operation but the Company is able to sell its stock of finished goods remaining in the warehouse at the time of the fire incident which was not affected by the fire incident. Natpet is also meeting all its obligations towards its suppliers and service providers.

Natpet has informed the insurer about the fire incident who has commenced the required procedures to compile initial reports and an estimate for the loss incurred.

## 13 Contingency

The Parent Company has submitted bank guarantees against the open zakat assessments amounting to Saudi Riyals 28.485 million (September 30, 2017: Saudi Riyals 28.485 million).

## 14 Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements including notes and other explanatory information was approved and authorised for issue by the Board of Directors (BoD) on 29 Safar 1440H (November 7, 2018).