TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH INDEPENDENT AUDITOR'S REPORT

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Index **Page**

1.	Independent auditor's report	1 - 7
2.	Consolidated statement of financial position	8
3.	Consolidated statement of profit or loss and other comprehensive income	9
4.	Consolidated statement of changes in equity	10
5.	Consolidated statement of cash flows	11 - 12
6.	Notes to the consolidated financial statements	13 - 55

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Takween Advanced Industries
(A Saudi Joint Stock Company)
Al-Khobar, Kingdom of Saudi Arabia

Opinion
We have audited the consolidated financial statements of Takween Advanced Industries - a Saudi Joint Stock Company (the "Company") and its subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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.

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. For each matter listed below, our description on how our audit have addressed this matter is set below:

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INDEPENDENT AUDITOR'S REPORT (Continued)

Key Audit Matters (Continued)

The key audit matter	**How the matter was addressed**
Revenue Recognition	
As of December 31, 2017, the Group had recognized revenue of SR 1,248 million (2016: SR 1,416 million). The group has several different revenue streams under both plastic and non-woven products. We consider revenue as a key audit matter being the key business element for the operations of the Group. The timing and amount of revenue recognized have material impact on the financial performance of the group. Refer to note 4.3 to the consolidated financial statements for the significant accounting policy.	Our procedures included the following: • Assessed the design and implementation, and tested the operating effectiveness of relevant controls over the revenue cycle as per the Group's policy, • Performed substantive test of details and analytical procedures, • Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards, • Performed detailed analytical review for the various elements of revenue / sales and assessed revenue cut-off procedures, • Tested manual journals posted to revenue to identify unusual or irregular items, and • Tested sales transactions by comparing sales data for a sufficient period before year-end to sales invoices, shipping documentation, or other appropriate evidence to determine that the revenue recognition criteria were met and the sales transactions were recorded in the proper period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Key Audit Matters (Continued)

The key audit matter	How the matter was addressed
Change in Financial Reporting Framework	
For all years up to and including the year ended December 31, 2016, the Group has prepared and presented its audited consolidated financial statements in accordance with generally accepted accounting principles issued by SOCPA. As a result of the regulatory requirements in the Kingdom of Saudi Arabia, for financial periods starting January 1, 2017, the Group has presented its financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA in this respect. Accordingly, the accompanying consolidated financial statements for the year ended December 31, 2017, have been prepared in accordance with the requirements of IFRS as endorsed in Kingdom of Saudi Arabia and IFRS -1- "First time Adoption of International Financial Reporting Standards." In compliance with these requirements, GAP analysis was performed to determine differences between the previous SOCPA framework and IFRS including the adjustments and disclosures required. Based on the analysis, the Group has assessed the impact of transitioning from SOCPA to IFRS and transition adjustments were accordingly made to the consolidated financial statements as at January 1, 2016 and December 31, 2016. We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and its significant impact on the consolidated financial statements from a recognition, measurement and disclosure perspective had required additional focus during our audit. Refer to note 30 to the consolidated financial statements for details of transition and reconciliation adjustments in this respect.	The Group have appointed an independent consultant for the transition to IFRSs where GAP analysis were made to identify changes in accounting policies and treatments, presentation and disclosures in the financial statements. We performed the following procedures in respect of transition to IFRSs as endorsed in the Kingdom of Saudi Arabia: • We had a meeting with the consultant to share comments on the report on IFRSs transition adjustments, • Obtained an understanding of the GAP analysis performed by the consultant to identify all significant differences between previous reporting framework and IFRS as endorsed in the Kingdom of Saudi Arabia which can impact the Group's financial statements, • Assessed the appropriateness of the implementation of IFRS, as endorsed in the Kingdom of Saudi Arabia, in accordance with provisions of IFRS 1 and management's decisions in this respect, • Assessed the appropriateness of accounting policies adopted, • Tested the transition adjustments by considering the GAP analysis, the underlying financial information and the computation of these adjustments, and • Assessed the appropriateness of disclosures made for the impact of transition from SOCPA to IFRS.

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Key Audit Matters (Continued)

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed</th></tr>
<tr><td>Impairment of non-current assets</td><td></td></tr>
<tr><td>Non-current assets as of December 31, 2017 amounted to SR 1,462.87 million (2016: SR 1,545.03 million) including goodwill of SR 323.58 million (2016: SR 323.58 million) on account of post-acquisition and tangible assets of SR 1,126.33 million (2016: SR 1,207.62 million).

Management conduct impairment review on an annual basis to assess whether there is any potential impairment. These reviews are made using valuation methods to determine the expected recoverable amounts of these assets. Such methods include assumptions related to future sales volume, prices, operating assets, growth rates, terminal value and other related assets.

We considered this as a key audit matter due to significant judgement and key assumptions involved in the impairment assessment process.

(Refer note 4.2, 4.11 and 4.13 for policy, and note 8 and 6 respectively for disclosure).</td><td>Our procedures included the following:
• Assessed the design and implementation and tested the effectiveness of Group's controls around the impairment process and evaluated key assumptions used by management,
• Reviewed the independent specialist valuation review report on the reasonableness of the valuation methodology of goodwill and other tangible assets analysis prepared by management. As part of the review, assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and assessed the sensitivity analysis on key assumptions,
• Compared key assumptions against historic trends, business plans and industry benchmarks as applicable. Additionally, we reviewed and assessed the future business plans both from internal and external perspectives, and compared forecast to historical trends,
• Checked the accuracy and completeness of the information produced by management, that was used as the basis of impairment assessment, and
• Considered the adequacy of the group's disclosures in terms of applicable accounting standard.</td></tr>
<tr><td>Trade receivables</td><td></td></tr>
<tr><td>As of December 31, 2017, the group had trade account receivables of SR 293.45 million (2016: SR 343.84 million), net of allowance for doubtful debts of SR 38.09 million (2016: SR 24.59 millions).

Allowance for impairment of trade receivables represents managements' best estimate of the impairment allowance required. Impairment allowance is a highly subjective area and generally require a high level of judgment to be applied by the management in the determination of impairment allowances as at the reporting date. In arriving to such judgements analysis of historic customer payment trends and relevant associated risks is made. Due to the related subjectivity associated with it, this is considered as a key audit matter.

Refer to note 4 to the consolidated financial statements for the significant accounting policy and note 5 for critical accounting judgements and note 10 for the related disclosures.</td><td>Our audit procedures in response to the risk associated with impairment of trade receivables covered assessing the appropriateness of the corresponding impairment allowances and the effectiveness of the management's control surrounding it as follows:
• We tested the Group's control on the determination, review and monitoring of the impairment allowance,
• We focused our audit on the process for the identification of loss events and control over the impairment process, including the continuous re-assessment by management,
• We enquired management about the basis for policies adopted. We have performed walkthrough and testing of relevant key controls to determine whether they were designed, implemented and operated effectively throughout the year,
• Assessed the Group's policy for allowance for impairments and basis used in arriving to it, and
• Obtained a schedule for the receivable ageing and re-assessed the allowance required as per the Group's adopted policy.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (Continued)

Key Audit Matters (Continued)

The key audit matter	How the matter was addressed
Inventory Valuations:	
As at December 31, 2017, the Group had inventories of SR 315.52 million (2016: SR 332.31 million), net of allowance for slow moving inventories of SR 25.11 million (2016: SR 8.35 million). Inventories are stated at the lower of cost or net realizable value and an allowance is made by the Group where necessary, for slow moving inventories. The management determines the level of obsolesce of inventories considering the nature, ageing profile, sales expectation using historic trends and other related factors. Further, at each reporting date, management reviews the valuation of inventories and the cost of inventories are written down where inventories are forecasted to be sold at below cost. We consider this as a key audit matter due to significant judgements and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on net realizable value (NRV) assessment. The accounting policy for inventory is outlined in note 4.10, and a breakdown of inventories is presented in note 9.	Our procedures included the following: • Attending the physical inventory count at the year end and assessing the adequacy of controls over the existence of inventory, • Reviewed the consistency of the accounting policy adopted by management, • Assessing the design and implementation, and testing the effectiveness of the Group's controls on the computation and monitoring the allowance of slow-moving inventory, • Assessed the Group's policies for monitoring and identifying slow moving inventories, • Review the inventory ageing reports used by the management in the assessment of allowance for slow moving inventories, • Tested the net realizable value of inventories by reference to recent prices, and • Evaluated the Group's policy for the valuation of inventory and re-performed the calculation of the inventory valuation.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Information included in the group's 2017 annual report

The Board of Directors ("Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report, other than 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 do not express any form of assurance or conclusion thereon.

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

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

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and the applicable requirements of Company's regulations, and for such internal control as Directors 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, Directors are 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 the Directors 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 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- 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 relate disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's responsibilities for the audit of the Consolidated Financial Statements (Continued)

- 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 exist 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 disclosure in the consolidated financial statements or, if such disclosure is 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 consolidate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PKF Al-Bassam & Co.
Allied Accountants

Ibrahim Ahmed Al-Bassam
License No.337
Al Khobar,

3 Rajab, 1439H
March 20, 2018

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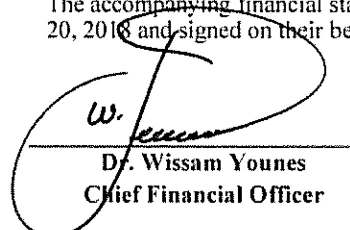
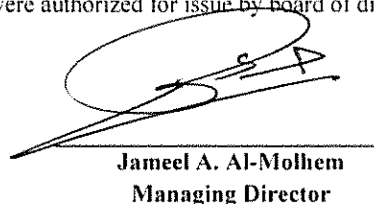
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

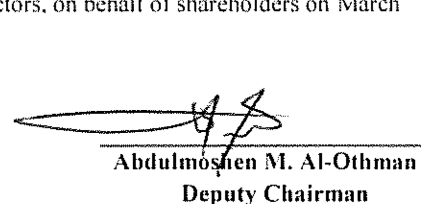
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	December 31, 2017 SR '000	December 31, 2016 (Note 30) SR '000	January 1, 2016 (Note 30) SR '000
ASSETS				
Non-current assets				
Property, plant and equipment	6	**1,126,325**	1,207,616	1,212,975
Intangible assets	7	**12,965**	13,832	24,169
Goodwill	8	**323,582**	323,582	323,582
		1,462,872	1,545,030	1,560,726
Current assets				
Inventories	9	**315,522**	332,312	456,705
Trade receivables	10	**293,450**	343,835	412,732
Prepaid expenses and other receivables	11	**58,459**	77,777	114,891
Held to maturity investments	12	**6,958**	-	-
Cash and cash equivalents	13	**41,583**	43,269	106,794
		715,972	797,193	1,091,122
TOTAL ASSETS		**2,178,844**	2,342,223	2,651,848
EQUITY AND LIABILITIES				
Equity				
Share capital	14.1	**950,000**	950,000	350,000
Statutory reserve	14.2	**29,419**	29,419	29,419
Other reserves	14.3	**(53,415)**	(48,479)	(6,439)
(Accumulated losses) retained earnings		**(186,216)**	(17,981)	59,494
		739,788	912,959	432,474
Liabilities				
Non-current liabilities				
Medium and long term loans	15 a	**356,822**	447,304	797,905
Employee benefits	16	**40,518**	38,165	47,559
		397,340	485,469	845,464
Current liabilities				
Current portion of medium and long term loans	15 a	**96,684**	83,502	217,617
Short term loans	15 b	**698,788**	610,452	811,686
Trade payable and other liabilities	17	**246,244**	249,841	344,607
		1,041,716	943,795	1,373,910
Total liabilities		**1,439,056**	1,429,264	2,219,374
TOTAL EQUITY AND LIABILITIES		**2,178,844**	2,342,223	2,651,848

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on March 20, 2018 and signed on their behalf by:







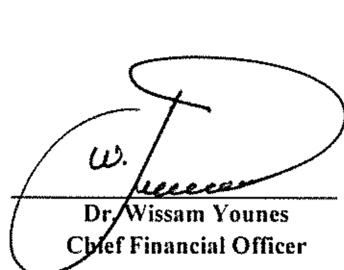
Dr. Wissam Younes	**Jameel A. Al-Molhem**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	**Managing Director**	**Deputy Chairman**

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

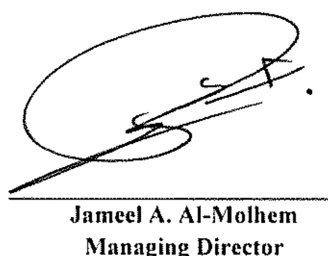
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	December 31, 2017 SR '000	December 31, 2016 (Note 30) SR '000
Revenue	19, 24	**1,248,414**	1,415,596
Cost of revenue	19, 20, 24	**(1,189,908)**	(1,214,020)
Gross profit		**58,506**	201,576
Administrative expenses	21	**(88,256)**	(90,512)
Selling, marketing and distribution expenses	22	**(86,933)**	(73,863)
Research expenses		**(1,344)**	(1,599)
Operating (loss) profit		**(118,027)**	35,602
Finance charges		**(51,628)**	(83,961)
Other income (expense)	23	**6,988**	(11,730)
Loss before zakat and income tax		**(162,667)**	(60,089)
Zakat and income tax	18.5	**(5,568)**	(2,004)
Loss for the year		**(168,235)**	(62,093)
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to statement of profit or loss			
Remeasurement of employee benefit	16	**(6,102)**	3,508
Item that may be reclassified subsequently to statement of profit or loss			
Exchange differences on translation of foreign operation		**1,166**	(45,548)
Total comprehensive loss for the year		**(173,171)**	(104,133)
Loss per share (SR) based on loss for the year attributable to shareholders of the company			
Basic and diluted loss per share	28	**(1.77)**	(1.27)

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on March 20, 2018 and signed on their behalf by:



Dr. Wissam Younes
Chief Financial Officer



Jameel A. Al-Molhem
Managing Director

Abdulmoshen M. Al-Othman
Deputy Chairman

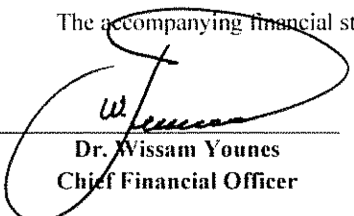
The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

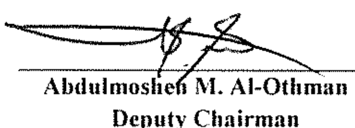
	Note	Share capital SR '000	Statutory reserve SR '000	Other reserves SR '000	Retained earnings (accumulated losses) SR '000	Total SR '000
Balance as at January 1, 2016 - As per SOCPA (Audited)		350,000	29,419	(6,439)	82,041	455,021
Impact of adoption of international financial reporting standards (IFRS)	30.3	-	-	-	(22,547)	(22,547)
Balance as at January 1, 2016 – As per IFRS		350,000	29,419	(6,439)	59,494	432,474
Right issue		600,000	-	-	-	600,000
Net loss for the year		-	-	-	(62,093)	(62,093)
Right issue cost		-	-	-	(15,382)	(15,382)
Other comprehensive loss		-	-	(42,040)	-	(42,040)
Balance as at December 31, 2016		950,000	29,419	(48,479)	(17,981)	912,959
Net loss for the year		-	-	-	**(168,235)**	**(168,235)**
Other comprehensive loss		-	-	**(4,936)**	-	**(4,936)**
Balance as at December 31, 2017		**950,000**	**29,419**	**(53,415)**	**(186,216)**	**739,788**

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on March 20, 2018 and signed on their behalf by:



Dr. Wissam Younes
Chief Financial Officer

Jameel A. Al-Molhem
Managing Director



Abdulmoshen M. Al-Othman
Deputy Chairman

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

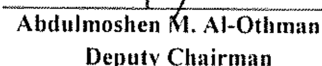
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017 SR '000	December 31, 2016 SR '000
Cash flows from operating activities:		
Loss before zakat and income tax	(162,667)	(60,089)
Adjustments for:		
Depreciation	123,039	101,107
Amortization of intangible assets	2,875	3,172
Write off of property, plant and equipment	414	-
Write off of intangible assets	-	9,871
Loss on disposal of property, plant and equipment	-	34
Allowance for inventories, net	16,740	3,050
Provision/ (reversal) for doubtful debts	13,456	(8,870)
Finance charges	51,628	83,961
Employee benefits	6,704	5,038
	52,189	137,274
Movement in working capital:		
Inventories	29	94,633
Trade receivables	36,892	79,096
Prepaid expenses and other receivables	19,318	37,114
Trade payable and other liabilities	(3,690)	(90,557)
Cash generated from operations	104,738	257,560
Finance charges paid	(50,391)	(82,308)
Zakat and income tax paid	(5,535)	(4,546)
Employee benefits paid	(11,690)	(12,577)
Net cash generated from operating activities	37,122	158,129
Cash flows from investing activities:		
Purchase of property, plant and equipment	(42,110)	(89,653)
Additions to intangible assets	(1,617)	-
Held to maturity investments	(6,958)	-
Net cash used in investing activities	(50,685)	(89,653)
Cash flows from financing activities:		
Right issue	-	600,000
Right issue cost	-	(15,382)
Change in short term loans	88,336	(201,234)
Change in medium and long term loans	(77,300)	(484,716)
Net cash generated from (used in) financing activities	11,036	(101,332)
Net change in cash and cash equivalents	(2,527)	(32,856)

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on March 20, 2018 and signed on their behalf by:

Dr. Wissam Younes
Chief Financial Officer

Jameel A. Al-Molhem
Managing Director


Abdulmoshen M. Al-Othman
Deputy Chairman

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

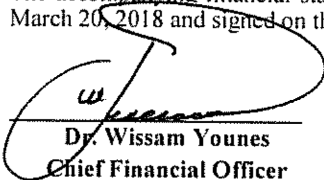
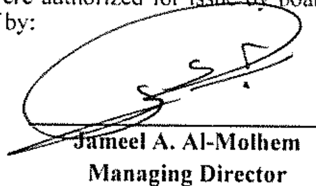
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017 SR '000	December 31, 2016 SR '000
Cash and cash equivalent at the beginning of the year	**43,269**	106,794
Foreign currency translation reserve	**841**	(30,669)
Cash and cash equivalents at the end of the year	**41,583**	43,269

Non-cash transactions:		
Transfer from inventories to property, plant and equipment	**-**	27,341
Remeasurement loss (gain) on actuarial valuation	**6,102**	(3,508)
Transfer from property, plant and equipment to intangible assets	**391**	2,706

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on March 20, 2018 and signed on their behalf by:

Dr. Wissam Younes	**Jameel A. Al-Molhem**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	**Managing Director**	**Deputy Chairman**

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Takween Advanced Industries ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on Muharram 9, 1432H (December 15, 2010). The Company's share capital is SR 950 million divided into 95 million shares of SR 10 each.

The Board of directors in a meeting held on December 17, 2015 had proposed to increase the share capital by SR 600 million by issuance of right shares to its shareholders. In the Extraordinary General Assembly held on September 21, 2016, it was decided to issue the shares at par value i.e. SR 10. Right issue was subscribed in full and shares were issued to the shareholders effective October 23, 2016. As a result of right issue during the year ended December 31, 2016, the share capital of the Company was increased to SR 950 million comprising of 95 million shares of SR 10 each. All the legal formalities for increase in share capital were completed during 2016.

The Company's registered office is located at Al Khobar, Kingdom of Saudi Arabia.

The principal activities of the Group companies, each of which operates under individual commercial registration, are:

- Owning of factories with various plastic products manufacturing together with maintaining, operating and managing,
- Production of disposable polystyrene cups, lids and other plastic related products,
- Production of non-woven fabrics,
- Production of PET (Polyethylene Terephthalate) pre-forms,
- Manufacturing of, and wholesale trading in plastic containers and films,
- Manufacturing of, and wholesale and retail trading in plastic containers and polyethylene cups, rolls and bags.
- Managing and operating of industrial centers,
- Owning of land for the purpose of establishing and developing factories,
- Establishing industrial institutes and providing and coordinating for training courses related to developing of plastic products,
- Import and export, wholesale and retail trade in various kind of plastic products, and
- Establishing, managing, operating and maintaining different industrial project.

2. STRUCTURE OF THE GROUP

The consolidated financial statements as at December 31, 2017 include the financial statements of the Company and its following subsidiaries (collectively referred to as the "Group"):

Name of consolidated subsidiary	Effective ownership	
	2017	2016
Saudi Plastic Packaging Systems ("Saudi Packaging")	**100%**	100%
Advanced Fabrics Factory Company ("SAAF")	**100%**	100%
Al-Sharq Company for Plastic Industries Limited ("Al-Sharq")	**100%**	100%
Ultra Pak Manufacturing Company ("Ultra Pak")	**100%**	100%
New Marina for Plastic Industries Company (S.A.E.) ("New Marina")	**100%**	100%

During the year, as part of the restructuring of the Group's operations, it was resolved to transfer the net assets in two of its branches (located at Al-Youn and Al-Jarn) i.e. "Plastico" (Branches related to Takween) to Saudi Plastic Packaging Systems ("Saudi Packaging") effective January 1, 2017. The book value of net assets transferred was SR 75.23 million. Also during the year, the whole operation in one of the subsidiary "Ultra Pak" was transferred to Saudi Plastic Packaging Systems ("Saudi Packaging") effective January 1, 2017. The book value of net assets transferred was SR 104.63 million

The above transfer has no effect on the Group financial statements.

2. STRUCTURE OF THE GROUP (Continued)

Summary of net assets transferred is as follows:

	Plastico SR '000	Ultra Pak SR '000	**Total** **SR '000**
ASSETS			
Non-current assets			
Property, plant and equipment	219,965	17,814	**237,779**
Intangible assets	1,848	2,167	**4,015**
	221,813	19,981	**241,794**
Current assets			
Inventories	81,731	-	**81,731**
Trade receivables	69,076	12,503	**81,579**
Prepaid expenses and other receivables	7,289	1,277	**8,566**
Due from related parties	173,665	101,793	**275,458**
Cash and cash equivalent	6,673	5,272	**11,945**
	338,434	120,845	**459,279**
TOTAL ASSETS	560,247	140,826	**701,073**
LIABILITIES			
Non-current liabilities			
Long and medium term debt	-	5,034	**5,034**
Employee benefits	6,089	2,449	**8,538**
	6,089	7,483	**13,572**
Current liabilities			
Current portion of long term loan	-	2,356	**2,356**
Short term loan	200,189	20,000	**220,189**
Trade payables and other liabilities	83,537	3,685	**87,222**
Due to related parties	195,054	-	**195,054**
Zakat payable	150	2,671	**2,821**
	478,930	28,712	**507,642**
TOTAL LIABILITIES	485,019	36,195	**521,214**
NET ASSETS TRANSFERRED AMONG THE GROUP COMPANIES	75,228	104,631	179,859

3. BASIS OF PREPARATION

3.1 Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For years up to and including the year ended December 31, 2016, the Group prepared its consolidated financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For financial periods starting January 1, 2017, and in accordance with the regulations applicable in the Kingdom of Saudi Arabia, the Group has presented its financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA in this respect. The accompanying financial statements are the first annual financial statements prepared in accordance with IFRSs.

The accompanying consolidated financial statements have been prepared in accordance with the requirement of IFRS, First-Time Adoption of International Financial Reporting Standards. The effects of IFRS adoption on the financial statements as at December 31, 2016 and January 1, 2016 are disclosed in note 30 to the accompanying financial statements.

The Capital Market Authority (CMA), the Government Organization in Kingdom of Saudi Arabia regulating the financial, legal and administrative matters for listed companies, has decided that the options to use the revaluation model for property, plant and equipment and intangible assets in IAS 16 and IAS 38 and the option to use the fair value model for investment property in IAS 40 will not be available for the first three years post transition from 2017 to 2019 for listed companies. Upon completion of the aforementioned period, the CMA will study whether to continue to require the cost model or whether to allow the application of the fair value / revaluation models. Under these circumstances, the Group cannot avail these options for current financial year.

IFRS 1 allows first-time adopters certain exemptions upon transition from the retrospective application of certain requirements under IFRS. IFRS 1 prohibits retrospective application of IFRS with respect to accounting estimates, but allows retrospective application of "de-recognition of financial assets and liabilities", "hedge accounting", "non-controlling interest", "classification and measurement of financial assets", "impairment of financial assets", "embedded derivatives" and "government loans". The Group has applied relevant IFRS on these transactions prospectively from transaction date. The Group has applied optional exemption as explained below: -

Goodwill
IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before January 1, 2016. Use of this exemption means that SOCPA carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of acquisition. After the date of acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the SOCPA carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition and derecognition of intangible assets). In accordance with IFRS 1. the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at January 1, 2016.

3. BASIS OF PREPARATION (Continued)

3.2 Preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention except for the defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method.

The preparation of consolidated financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. These areas that are significant to the consolidated financial statements are disclosed in note 5.

3.3 Standards issued and applied effective January 1, 2017

The following new and revised standards and interpretations have been adopted in the current year. The adoption of these standards have no material impact on the amounts reported in the accompanying consolidated financial statements:

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 7 Disclosure Initiative (Amendments to IAS 7) The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Group's financing activities, as disclosed in consolidated statement of cash Flows, represents only cash flow changes, except for finance cost for which non cash change is reflected in cash flow from operating activities.	January 1, 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group does not hold any debt instruments measured at fair value, hence, there is no impact of this amendment on the consolidated financial statements.	January 1, 2017

3. BASIS OF PREPARATION (Continued)

3.4 New standards, amendments and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. **De-recognition:** The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.	January 1, 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018

3. BASIS OF PREPARATION (Continued)

3.4 New standards, amendments and revised IFRS in issue but not yet effective (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9. **IFRS 7 Financial Instruments:** Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 15 Revenue from contracts with customers: In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Amendments to IFRS 15 Revenue from contracts with customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019

3. BASIS OF PREPARATION (Continued)

3.4 New standards, amendments and revised IFRS in issue but not yet effective (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to standard IFRS 2 Classification and Measurement of Share-based Payment Transactions These amendments relate to the following areas: • The accounting for the effects of vesting conditions on cash-settled share-based payment transactions, • The classification of share-based payment transactions with net settlement features for withholding tax obligations, and • The accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. The amendments apply prospectively to annual periods beginning on or after January 1, 2018, with specific transitional requirements. The amendments may be applied retrospectively only if it is possible to do so without using hindsight. Early application is permitted. The Group is currently assessing the precise impact of this new standard.	January 1, 2018
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • There is consideration that is denominated or priced in a foreign currency, • The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income, and • The prepayment asset or deferred income liability is non-monetary.	January 1, 2018

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 and IFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018. As of December 31, 2017, the group is in the process of completing its evaluation of the impact of IFRS 9 on its financial statements. The initial assessment made by the Group's independent consultant revealed no material impact on the application of IFRS 15 on its financial statements and the Group's revenue recognition policy. The application of IFRS 16 is effective January 1, 2019 and may have an impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases. However, it is not practicable at this stage to provide a reasonable estimate of the effects of the application of IFRS 16 until the Group performs a detailed review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Group:

4.1 Basis of Consolidation

The consolidated financial statements comprise those of Takween Advanced Industries and of its subsidiaries (the "Group") as detailed in note 2.

Control is achieved when the Group:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements, and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.1.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss and other comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed as incurred.

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.

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

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. 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 recognized 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 recognized in the consolidated statement of profit or loss and other comprehensive 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 allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill is tested annually for impairment when circumstances indicate that the carrying value may be impaired, and is carried at cost net of accumulated impairment losses. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill represents the excess of the fair value of the net assets acquired and the cost of investments in a business combination. Negative goodwill is recognized in the consolidated statement of profit or loss and other comprehensive income.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed-off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed-off in this circumstance is measured based on the relative values of the operation disposed-off and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of profit or loss and other comprehensive income.

4.3 Revenue recognition

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered.

Revenue is recognized to the extent of the following recognition requirements,
- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made, and
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Revenue recognition (Continued)

4.3.1 Sale of Goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Other income is recognized when earned.

4.4 Financial assets

4.4.1 Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.4.2 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets in the statement of financial position. Loans and receivables are carried at amortized cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortized cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial assets (Continued)

4.4.3 Fair value hierarchy of financial instruments

The Group classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

Level 1

The fair value of financial instruments quoted in active markets is based on their quoted closing price at the consolidated statement of financial position date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

Level 3

The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs).

4.4.4 Impairment of financial assets

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

For certain categories of financial assets, such as trade receivables a provision for doubtful accounts is established when there is a significant doubt that the Group will not be able to collect any of the amounts due according to the original terms of the invoice. Such allowances for impairment are charged to the consolidated statement of profit or loss and other comprehensive income and reported under "selling, marketing and distribution expenses". When a trade receivable is uncollectible, it is written-off against allowance for doubtful accounts. Any subsequent recoveries of amounts previously written off are credited against other income in the consolidated statement of profit or loss and other comprehensive income.

4.5 Financial liabilities

4.5.1 Initial Recognition

Financial liabilities (including borrowings and trade and other payables) are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value and in the case of loans and borrowings fair value of the consideration received less directly attributable transaction costs.

4.5.2 Measurement

4.5.2.1 Loans and Borrowings

After initial recognition, interest bearing loans and borrowings (including trade and other payables) are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit and loss and other comprehensive income when the liabilities are derecognized as well as through the amortization process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Financial liabilities (Continued)

4.5.2 Measurement (Continued)

4.5.2.2 Financial liabilities at fair value through profit and loss (FVTPL)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income / charges' line item

4.5.3 Derecognition

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

4.5.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4.6 Effective interest rate method

The effective interest rate (EIR) method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4.7 Research expenses

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale,
- its intention to complete and its ability and intention to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.8 Administrative and selling, marketing and distribution expenses

Administrative expenses include indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between administrative expenses and cost of sales, when required, are made on a consistent basis.

Selling, marketing and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses are classified as administrative expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have maturities of 90 days or less and are available for use by the Group unless otherwise stated. In the consolidated statement of financial position, bank overdraft is shown under line item borrowings.

4.10 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, packing material and spare parts at weighted average cost basis; cost comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-process at weighted average cost basis: these include cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value (NRV) 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. Allowance is made for slow moving inventories.

4.11 Property, plant and equipment (PPE)

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight line method.

The estimated useful life of the principal classes of assets are as follows:

	Percentage
Buildings and leasehold improvements	3 – 5
Plant, machinery and equipment	5 – 20
Vehicles	20 – 25
Furniture, fixtures and office equipment	20 – 25

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4.11.1 Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates,
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Property, plant and equipment (PPE) (Continued)

4.11.1 Capitalization of costs under PPE (Continued)

Capital work in progress represents the accumulated costs incurred by the group in relation to the construction of its building and structures in the development stage. Cost incurred are initially charged to the capital work in progress then these costs are transferred to property, plant and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

4.11.2 Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of profit or loss and other comprehensive income.

4.11.3 Capital Spare Parts (CSP)

The Group classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on "stand-by", i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spares commences immediately on the date of purchase.

- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

4.12 Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise goodwill, software and system development costs and right of use of leased land. Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5-year period from the date it is fully implemented. The right of use of leased land is amortized over the lease period using the straight-line method. For goodwill, refer to business combination and goodwill policy (note 4.2).

4.13 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Impairment of tangible and intangible assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

4.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.15 Dividends

Dividends are recognized as liability at the time of their approval in the annual general assembly meeting. Interim dividends are recorded as and when approved by the board of directors.

4.16 Foreign currency translation

4.16.1 Presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the parent company. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (the functional currency).

4.16.2 Transaction and balances

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to consolidated statement of profit or loss on repayment of the monetary items.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currency translation (Continued)

4.16.2 Transaction and balances (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to statement of profit or loss. In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to statement of profit or loss and other comprehensive income.

4.17 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's managing director and CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the managing director and CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items compose mainly corporate expenses and related assets/liabilities (primarily the Company's headquarters). Head office expenses, research and development costs and related assets/liabilities, some goodwill and intangible assets and income tax assets and liabilities.

4.18 Employee benefits

4.18.1 Short term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

4.18.2 Employees' end-of-service benefits (EOSB)

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The liability recognized in consolidated statement of financial position in respect of employee benefits is the present value of defined benefits obligation at the end of reporting period.

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.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss and other comprehensive income as past service costs.

Interest cost

Interest cost is calculated by applying the discount rate to at the beginning of the period to the net defined benefit liability. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Employee benefits (Continued)

4.18.2 Employees' end-of-service benefits (EOSB) (Continued)

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income

4.19 Zakat and income tax

The Group is subject to the regulations of the General Authority of Zakat and Income Tax ("GAZT") in the kingdom of Saudi Arabia. Moreover, the subsidiaries are subject to the relevant laws relating to income tax in the countries where they conduct their activities. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

4.20 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4.21 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group does not have any finances leases.

4.21.1 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.22 Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

4.23 Earnings per share

4.23.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Earnings per share (Continued)

4.23.2 Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.24 Borrowing cost

Borrowing cost directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing cost are recognized in consolidated statement of profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Impairment of trade receivables
An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts, which are not significant, but are overdue, are assessed collectively and an allowance is recognized considering the length of time considering past recovery rates.

Allowance for slow moving inventory items
The management makes an allowance for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of year.

Provisions and contingencies
A provision for incurred liabilities is recognized when the Group has a present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with in the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each statement of financial position date and disclosed in the Group's financial statements under contingent liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

Estimation of defined benefit obligation

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

6. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended December 31, 2017 is as follows:

	Buildings and leasehold improvements SR '000	Plant, machinery and equipment SR '000	Vehicles SR '000	Furniture, fixtures and office equipment SR '000	Capital work in progress ("CWIP") SR '000	Total SR '000
Year ended December 31, 2017						
Cost:						
Balance at January 1, 2017	333,955	1,450,380	8,517	20,939	41,548	1,855,339
Additions	3,146	19,212	162	2,079	17,511	42,110
Transferred from CWIP	266	45,430	407	51	(46,154)	-
Write off	(321)	(1,441)	(677)	(1,463)	-	(3,902)
Transfer to intangible assets (note 7)	-	-	-	(559)	-	(559)
Disposals	-	-	(20)	-	-	(20)
Foreign currency translation	200	1,319	7	42	11	1,579
Balance at December 31, 2017	337,246	1,514,900	8,396	21,089	12,916	1,894,547
Accumulated depreciation:						
Balance at January 1, 2017	45,508	584,913	6,758	10,544	-	647,723
Charge for the year	10,315	109,105	1,007	2,612	-	123,039
Write off	(224)	(1,441)	(677)	(1,146)	-	(3,488)
Transfer to intangible assets (note 7)	-	-	-	(168)	-	(168)
Disposals	-	-	(20)	-	-	(20)
Foreign currency translation	24	1,066	7	39	-	1,136
Balance at December 31, 2017	55,623	693,643	7,075	11,881	-	768,222
Net book value:						
At December 31, 2017	281,623	821,257	1,321	9,208	12,916	1,126,325

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment for the year ended December 31, 2016 is as follows:

	Buildings and leasehold improvements SR '000	Plant, machinery and equipment SR '000	Vehicles SR '000	Furniture, fixtures and office equipment SR '000	Capital work in progress ("CWIP") SR '000	Total SR '000
Year ended December 31, 2016						
Cost:						
Balance at January 1, 2016	285,304	1,378,941	8,649	14,612	119,171	1,806,677
Additions	19,804	20,266	359	3,055	46,169	89,653
Transferred from CWIP	36,739	78,699	-	4,811	(120,249)	-
Transfer to intangible assets (note 7)	-	-	-	-	(2,706)	(2,706)
Disposals	-	(3,218)	(201)	-	-	(3,419)
Transfer from inventories (note 6)	-	27,341	-	-	-	27,341
Foreign currency translation	(7,892)	(51,649)	(290)	(1,539)	(837)	(62,207)
Balance at December 31, 2016	333,955	1,450,380	8,517	20,939	41,548	1,855,339
Accumulated depreciation:						
Balance at January 1, 2016	34,953	543,980	6,014	8,755	-	593,702
Charge for the year	11,461	85,122	1,223	3,301	-	101,107
Disposals	-	(3,184)	(201)	-	-	(3,385)
Foreign currency translation	(906)	(41,005)	(278)	(1,512)	-	(43,701)
Balance at December 31, 2016	45,508	584,913	6,758	10,544	-	647,723
Net book value:						
At December 31, 2016	288,447	865,467	1,759	10,395	41,548	1,207,616
At December 31, 2015	250,351	834,961	2,635	5,857	119,171	1,212,975

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's buildings and production facilitates in Al- Hassa are constructed on a parcel of land owned by an affiliate and the building of Ayoun plant is constructed on land leased from Saudi Industrial Property Authority (MODON) for a period of 20 years commencing from Muharram 27, 1436H (November 24, 2014).

SAAF's buildings and production facilitates are constructed on a parcel of land in Al Hassa owned by an affiliate and a piece of land leased from Saudi Arabian Oil Company in the Western Province of Saudi Arabia.

Under the terms of a land lease agreement with Jeddah Industrial City ("JIC"), Saudi Packaging has various renewable operating leases upon which its production facilities are located. Annual lease and service charge payments to JIC are nominal.

One of the Al-Sharq's warehouses is located on two parcels of land which are leased by Saudi Packaging a related party, located at Riyadh Industrial City. During the year the said warehouses were transferred back to Saudi Packaging.

Buildings and plant facilities of the Al-Sharq Company are constructed on land leased under the terms of two land lease agreements with the Saudi Organization for Industrial Estates and Technology Zones ("SFIT"), which are 25-year renewable operating leases commencing from Muharram 5, 1425H (February 25, 2004). Annual lease and service charge payments to SFIT are nominal.

During 2016, the Group had changed the classification of its strategic spares amounting to SR 27.34 million, which were previously classified under non-resalable inventory, to property, plant and equipment effectively January 1, 2016. This resulted in an increase in depreciation charge of SR 5.5 million for 2016.

Saudi Packaging has prepaid operating lease payments which principally represent the amount paid by the subsidiary to acquire the rights to lease land from a government agency for its ongoing expansion projects and is amortized over the period of 25 years. Annual lease and service charge payments to the government agency are nominal. As at December 31, 2017, the balance amounts to SR 7.1 million (2016: SR 7.67 million) is included under intangible assets (note 7).

At December 31, 2017, certain property, plant and equipment were pledged as collateral to certain credit facilities. Refer note 15.

Capital work-in-progress at December 31, 2017 is principally related to various additions to the production facilities and other improvements which were under progress at the year end.

Depreciation for the year has been allocated under the following:

	Note	December 31, 2017 SR '000	December 31, 2016 SR '000
Cost of revenue	20	119,450	97,721
Administrative expenses	21	2,470	2,086
Selling, marketing and distribution expenses	22	1,119	1,300
		123,039	101,107

7. INTANGIBLE ASSETS

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Cost	**24,774**	22,598	29,889
Less: accumulated amortization	**11,809**	8,766	5,720
Net book value	**12,965**	13,832	24,169

	December 31, 2017 SR '000	December 31, 2016 SR '000
Reconciliation of net book value		
Cost:		
January 1	**22,598**	29,889
Addition	**1,617**	-
Acquired through business combination	-	-
Transfer from property, plant and equipment (note 6)	**559**	2,706
Write off	-	(9,997)
December 31	**24,774**	22,598
Amortization:		
January 1	**8,766**	5,720
Charge for the year	**2,875**	3,172
Transfer from property, plant and equipment (note 6)	**168**	-
Write off	-	(126)
December 31	**11,809**	8,766
Net book value	**12,965**	13,832

8. GOODWILL

The Company entered into an agreement with Savola Group on December 30, 2014, for the acquisition of Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited), a wholly owned subsidiary of Savola Group, along with two wholly owned subsidiaries of Saudi Packaging (Al-Sharq Company for Plastic Industries Limited ("Al-Sharq") and New Marina for Plastic Industries Company ("New Marina") for a total purchase price of SR 910 million. As a result of this business acquisition and control acquired through sale agreement, the Company consolidated newly acquired subsidiaries with effect from January 1, 2015. In 2015, Council of Competition Protection approved the proposed acquisition of Saudi Packaging and consequently, the consideration of SR 910 million was paid in full. A goodwill of SR 323.58 million was recognized on the acquisition that represented the excess consideration paid over the net book value of net assets acquired, after carrying out valuation of the assets and liabilities as per the requirements.

The fair value of the assets acquired and liabilities assumed under business combination, pursuant to final purchase price allocation are as follows:

The goodwill arising on acquisitions is follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Fair value of consideration paid	**910,000**	910,000	910,000
Less: fair value of identifiable net assets acquired	**586,418**	586,418	586,418
Goodwill	**323,582**	323,582	323,582

8. GOODWILL (Continued)

Goodwill is subject to annual impairment testing. For the purpose of testing goodwill impairment, goodwill is allocated to each of the Group's cash generating units that are expected to benefit from the synergies associated with the acquisition. The aggregation of assets for identifying the cash generated unit was changed in 2017 following the restructuring of the Group operations as explained in note 2. The recoverable amount of the cash generating unit is its value in use.

In arriving to the value in use, management has based its cash flow forecast covering a five-year period. Management used a cumulative average growth rate (CAGR) in revenue of 8.5% over a period of five years and a discount rate of 11% as relevant to each cash generating unit based on the weighted average cost of capital in addition to other assumptions associated with selling prices and raw material cost.

The result of the goodwill impairment test performed by the group's management revealed no indication of goodwill impairment. The valuation analysis as prepared by management was subject to a review by third party consultant who stated in his review report that the valuation methodology adopted by management to estimate the value in use is considered to be adequate. Management is confident of its ability to meet its future business plan and believes that the carrying value of its assets including its goodwill will not exceed its recoverable amount.

9. INVENTORIES

	Note	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Finished goods		**94,753**	118,854	138,766
Raw and packaging materials and work in progress		**207,674**	182,804	247,864
Spare parts		**38,205**	39,003	76,005
		340,632	340,661	462,635
Allowance for inventories	9.1	**(25,110)**	(8,349)	(5,930)
		315,522	332,312	456,705

9.1 Movement in the allowance for inventories:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Opening balance	**8,349**	5,930
Allowance / write down for the year	**16,740**	4,204
Reversal of allowance for the year	**-**	(1,154)
Foreign currency translation	**21**	(631)
Closing balance	**25,110**	8,349

10. TRADE RECEIVABLES

	Note	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Trade receivables		310,334	356,488	423,893
Trade receivables – related parties	24	21,202	11,855	21,958
Due from a related party	24	-	85	1,673
	10.2	331,536	368,428	447,524
Provision for doubtful debts	10.1	(38,086)	(24,593)	(34,792)
		293,450	343,835	412,732

10.1 The movement in the provision for doubtful debts is as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Opening balance	24,593	34,792
Addition for the year	13,456	458
Transfer on acquisition	-	-
Reversal of provision	-	(9,328)
Foreign currency translation	37	(1,329)
Fair valuation allocation on business combination	-	-
Closing balance	38,086	24,593

10.2 The ageing of trade receivables and related allowance of impaired receivables at the reporting date are as follows:

	December 31, 2017		December 31, 2016		January 1, 2016	
	Gross SR '000	Impairment SR '000	Gross SR '000	Impairment SR '000	Gross SR '000	Impairment SR '000
Not past due	205,114	-	213,010	-	277,691	-
Past due 1-90 days	68,662	-	90,235	-	95,010	-
Past due 91-180 days	19,975	-	21,597	-	14,073	-
Above 180 days	37,785	38,086	43,586	24,593	60,750	34,792
	331,536	38,086	368,428	24,593	447,524	34,792

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Group does not hold any collateral over impaired trade receivables. Allowance for impairment of trade receivables is calculated based on the ageing profile and history.

The average credit period on sales is 90 days (December 31, 2016: 90 days)

11. PREPAID EXPENSES AND OTHER RECEIVABLES

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Advances to suppliers	7,641	18,298	18,082
Rebate receivables	34,747	38,517	49,422
Prepaid expenses	7,950	11,714	22,817
Margin against bank guarantees and letters of credit	3,499	4,427	19,713
Other receivables	4,622	4,821	4,857
	58,459	77,777	114,891

12. HELD TO MATURITY INVESTMENTS

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Investments in treasury bills	**6,958**	-	-

Investment in treasury bills relates to the purchase of Egyptian treasury bills as of December 2017, by New Marina for Plastic Industries Company, a subsidiary, with a par value amounting to EGP 36 million and an annual interest rate of 18.5% and matures on June 26, 2018.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the followings:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Cash in hand	**276**	328	366
Cash at bank	**41,307**	42,941	106,428
	41,583	43,269	106,794

14. EQUITY

14.1 Share capital

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Authorized share capital			
95 million shares, (35 million shares) of SR 10 each	**950,000**	950,000	350,000
Issued, subscribed and fully paid up share capital			
95 million share, (35 million shares) of SR 10 each	**950,000**	950,000	350,000

	December 31, 2017	December 31, 2016	January 1, 2016
Reconciliation of number of shares outstanding (in "000")			
Opening balance	**95,000**	35,000	35,000
Shares issued	-	60,000	-
Closing balance	**95,000**	95,000	35,000

14.2 Statutory reserves

In accordance with Company's By-Laws, the Company is required to transfer 10% of net income each year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to shareholders.

14.3 Other reserves

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 01, 2016 SR '000
Exchange differences on translation of foreign operation	**(50,821)**	(51,987)	(6,439)
Remeasurements of employee benefits	**(2,594)**	3,508	-
	(53,415)	(48,479)	(6,439)

15. BORROWINGS

a) Medium and long term loans

	December 31, 2017 SR "000	December 31, 2016 SR "000	January 1, 2016 SR "000
Commercial loan	348,999	410,539	886,175
Saudi Industrial Development Fund ("SIDF") loans	104,507	120,267	129,347
	453,506	530,806	1,015,522
Less: current portion	96,684	83,502	217,617
	356,822	447,304	797,905

Commercial loan – The Group entered into Murabaha Facilities Agreement of SR 910 million with the Arab National Bank ("the lead bank"), on behalf of Murabaha Facilities Participants, for financing the acquisition of Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited) along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.). The facility is secured by irrevocable and unconditional assignment of all rights, titles and interests to the sale contract entered into with the Al Othman Agricultural Product and Production Company (NADA), a related party, revenue accounts of the Company and two of its subsidiaries i.e. Advanced Fabrics Factory Company (SAAF) and Ultra Pak Manufacturing Company (Ultrapak) and a corporate guarantee from Al-Othman Holding Company, an affiliate.

During 2016, a repayment of SR 490 million was made in respect of this loan i.e. SR 90 million pertaining to scheduled loan installment and early repayment of SR 400 million. There was no change in the term of the loan, however repayment has been rescheduled accordingly. The Group is in breach of certain covenants of long term loan which is measured half yearly i.e. June and December every year. However, management has taken necessary remedial action including obtaining waiver from the lead bank as on December 31, 2016 and June 30, 2017 and is in the process of obtaining a waiver as of December 31,2017. Accordingly, this loan continues to be classified as current and non-current based on the terms of contract of loan / repayment schedule.

SIDF loans - The Group entered into various loan agreements with SIDF to finance the construction of the plant facilities of the Group. The loans bear no periodic financing charges. The loans are secured by mortgage on the property, plant and equipment of the Group companies, two parcels of land owned by an affiliate and corporate guarantees from the Company. The loan appraisal fees are deferred and are being amortized over the term of the loans.

In July 2009, SIDF sanctioned a loan to Ultrapak for SR 12.85 million to finance the modernization and expansion of production facilities. The loan is repayable in twelve unequal semi-annual installments commencing Rabi' I 1, 1431 (January 31, 2010). In 2012, Ultrapak entered into a further loan agreement with SIDF to finance expansion of production facilities for an additional amount of SR 12.7 million due in 13 unequal semi-annual installments, commencing Safar 15, 1435 (December 18, 2013). During 2014, these loans have been consolidated into one facility of SR 25.5 million with an additional drawdown of SR 1.6 million which is payable in 11 unequal semiannual installments commencing from 15 Safar, 1436 (December 7, 2014) and final payment is due on Safar 15, 1441 (October 14, 2019). During the year, the loan was transferred to Saudi Packing as a part restructuring of the Group operations as explained in note 2. Subsequent to year end dated February 26, 2018, an agreement was signed with SIDF reflecting the transfer of the loan.

In September 2013, SAAF entered into a loan agreement with SIDF to finance the construction of its new production facilities for an amount of SR 125.7 million. Repayment of the loan is in 14 unequal semi-annual installments commencing from Shawwal 15, 1436H (July 31, 2015). In 2015, an amount of SR 12.5 million and in 2014 SR 113.2 million was drawn down by the SAAF. The Group is non-compliant with certain covenants of these loan. However, the Group has received the waiver against the application for waiver of non-compliance of financial covenants for the year ended December 31, 2016, and is in the process of obtaining wavier for 2017. Accordingly, management has disclosed the loan as current portion and non-current portion based on terms of contract of loan / repayment schedule.

b) Short term loans

The Group has credit facilities agreements with local commercial banks comprising of overdrafts, short term loans, letters of credit and guarantee etc. amounting to SR 973 million. Borrowings under the facilities bear financing charges at the prevailing market rates and are secured by demand order note, promissory notes in addition to corporate guarantees from Al-Othman Holding Company, an affiliate, to one local bank.

16. EMPLOYEE BENEFITS

The Group carried out actuarial valuations to account for its obligations under defined benefit plan. As per valuation results, the Group has made adjustment of SR 6.63 and SR 1.30 as at January 1, 2016 and December 31, 2016 respectively, representing additional liability and respective adjustment was made in opening retained earnings (Ref: note 30).

Movement in employees end of service benefits during the year is as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Opening balance as at January 1 – as per SOCPA	36,867	40,925
Impact of transition (Note 30.4)	1,298	6,634
Opening balance as at January 1 – as per IFRS	38,165	47,559
Expense charge for the year	7,941	6,691
Re-measurement loss (gain)	6,102	(3,508)
Employee benefits paid	(11,690)	(12,577)
Closing balance	40,518	38,165

Charge to consolidated statement of profit or loss for the year

	December 31, 2017 SR '000	December 31, 2016 SR '000
Current service cost	6,704	5,038
Interest cost	1,237	1,653
Cost recognized in profit and loss	7,941	6,691

Principal actuarial assumptions

	December 31, 2017	December 31, 2016
Discount factor used	3.00%	3.10%
Salary increase rate	4.00%	2.00%
Rate of employees turnover	Heavy	Heavy

Sensitivity analysis on present value of defined benefit obligations plan are as below:

	December 31, 2017		December 31, 2016	
	Percentage	Amount SR '000	Percentage	Amount SR '000
Discount rate				
Increase	+0.5%	37,844	+0.5%	36,550
Decrease	- 0.5%	41,390	- 0.5%	39,949
Expected rate of salary				
Increase	+0.5%	41,412	+0.5%	39,676
Decrease	- 0.5%	37,806	- 0.5%	36,786

17. TRADE PAYABLE AND OTHER LIABILITIES

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Trade payables	133,279	174,689	253,495
Due to related parties (note 24)	1,011	5,700	5,093
Accrued expenses	101,403	58,994	71,352
Provision for Zakat (note 18.3)	10,373	8,700	14,667
Provision for income tax (note 18.4)	178	1,758	-
	246,244	249,841	344,607

18. ZAKAT AND INCOME TAX

18.1 Zakat status

Zakat returns for the Group companies have been filed independently and paid for all years through 2010 and the zakat certificates have been received till 2016. Zakat return for the Company and its subsidiaries has been filed on a consolidated basis by the Group for 2011 and onwards and zakat certificates have been received. New Marina is registered in Arab Republic of Egypt and pays income tax according to its local laws and regulations.

The Company and its subsidiaries' assessments have been agreed up to different years. The Company and its subsidiaries' have received additional assessments for certain years and have filed objections against these assessments. Total additional zakat against for which objection have been filed amount to SR 9.4 million, Management is confident of favorable outcome against these assessments. Further, the Group's management is of the view that any zakat charge in respect of newly acquired companies relating to period before acquisition date will be paid by the previous owners. Accordingly, provision for this zakat has not been recognized in these consolidated financial statements.

18.2 Principal elements of zakat base:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Non-current assets	1,462,872	1,545,030
Non-current liabilities	397,340	485,469
Spare parts	38,205	39,003
Opening shareholders' equity	912,959	432,474
Net loss before zakat and income tax	(162,667)	(60,089)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

18.3 Zakat provision:

	December 31, 2017 SR '000	December 31, 2016 SR '000
January 1	8,700	14,667
Provision (reversal) for the year	5,391	(1,421)
Payments during the year	(3,718)	(4,546)
December 31	10,373	8,700

18.4 Provision for income tax

	December 31, 2017 SR '000	December 31, 2016 SR '000
January 1	1,758	-
Provision for the year	177	3,425
Income tax paid during the year	(1,817)	-
Foreign currency translation	60	(1,667)
December 31	178	1,758

18. ZAKAT AND INCOME TAX (Continued)

18.5 Current year's zakat and income tax expense

	Note	December 31, 2017 SR '000	December 31, 2016 SR '000
Zakat expense (reversal)	18.3	5,391	(1,421)
Income tax expense	18.4	177	3,425
		5,568	2,004

19. SEGMENTAL REPORTING

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 4 of these consolidated financial statements.

Segment analysis of the Group's operations for the year consist of the following:

	For year ended December 31, 2017			For year ended December 31, 2016		
	Disposable polystyrene cups, lids and other plastic related products SR '000	Non-woven fabrics SR '000	Total SR '000	Disposable polystyrene cups, lids and other plastic related products SR '000	Non-woven fabrics SR '000	Total SR '000
Revenue	1,016,745	231,669	1,248,414	1,191,568	224,028	1,415,596
Cost of revenue	941,096	248,812	1,189,908	998,685	215,335	1,214,020
Loss for the year	102,625	65,610	168,235	41,663	20,430	62,093

The detail of utilization of the Group assets by the segments as well as related liabilities is as follows:

December 31, 2017	Disposable polystyrene cups, lids and other plastic related products SR '000	Non-woven fabrics SR '000	Total SR '000
Non-current assets	1,062,846	400,026	1,462,872
Total assets	1,615,032	563,812	2,178,844
Total liabilities	1,010,774	428,282	1,439,056
December 31, 2016			
Non-current assets	1,116,610	428,420	1,545,030
Total assets	1,743,559	598,664	2,342,223
Total liabilities	1,031,740	397,524	1,429,264

19. SEGMENTAL REPORTING (Continued)

Geographical segment

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operation is conducted mainly in the Kingdom of Saudi Arabia and the Arab Republic of Egypt. The selected financial information covering the revenue as at December 31, 2017 and 2016, categorized by these geographic segments is as follows:

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Kingdom of Saudi Arabia SR '000	**Arab Republic of Egypt SR '000**	**Total SR '000**	Kingdom of Saudi Arabia SR '000	Arab Republic of Egypt SR '000	Total SR '000
Revenue	**1,172,595**	**75,819**	**1,248,414**	1,318,658	96,938	1,415,596
Cost of revenue	**1,126,975**	**62,933**	**1,189,908**	1,140,166	73,854	1,214,020
Loss for the year	**167,054**	**1,181**	**168,235**	52,337	9,756	62,093

The detail of utilization of the Group assets by the segments as well as related liabilities is as follows;

December 31, 2017	**Kingdom of Saudi Arabia SR '000**	**Arab Republic of Egypt SR '000**	**Total SR '000**
Non-current assets	**1,451,306**	**11,566**	**1,462,872**
Total assets	**2,107,679**	**71,165**	**2,178,844**
Total liabilities	**1,400,937**	**38,119**	**1,439,056**
December 31, 2016			
Non-current assets	1,532,068	12,962	1,545,030
Total assets	2,279,562	62,661	2,342,223
Total liabilities	1,399,696	29,568	1,429,264

20. COST OF REVENUE

	December 31, 2017 SR '000	December 31, 2016 SR '000
Material cost	**878,350**	885,980
Depreciation (note 6)	**119,450**	97,721
Employee costs	**96,419**	102,609
Electricity and water	**55,893**	61,922
Repair and maintenance	**25,082**	31,959
Others	**14,714**	33,829
	1,189,908	1,214,020

21. ADMINISTRATIVE EXPENSES

	December 31, 2017 SR '000	December 31, 2016 SR '000
Employee costs	49,163	47,421
Communication and other office expenses	13,789	13,787
Amortization of intangible assets (note 7)	2,875	3,172
Depreciation (note 6)	2,470	2,086
Legal and professional fee	9,111	4,069
Intangible assets written off	-	9,871
Traveling and conveyance	3,349	4,351
Others	7,499	5,755
	88,256	90,512

22. SELLING, MARKETING AND DISTRIBUTION EXPENSES

	December 31, 2017 SR '000	December 31, 2016 SR '000
Local transportation	36,862	42,260
Employee costs	21,643	18,561
Provision for doubtful debts	13,456	458
Depreciation (note 6)	1,119	1,300
Rent	8,774	6,384
Others	5,079	4,900
	86,933	73,863

23. OTHER INCOME (EXPENSES)

	December 31, 2017 SR '000	December 31, 2016 SR '000
Reversal of excess provision for bad debts	-	9,328
Foreign exchange gain (loss)	459	(23,830)
Sale of scrap	4,738	1,669
Others	1,791	1.103
	6,988	(11,730)

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Company	Relationship
Al Othman Group of companies	Affiliates

The significant transactions with related parties during the year are as follows:

Nature of transaction	December 31, 2017 SR '000	December 31, 2016 SR '000
Purchase of air tickets	5,382	5,512
IT services	6,034	7,809
Purchase of materials	468	312
Expenses incurred on behalf of affiliates	30	457
Purchase of / advance for property, plant and equipment	3,028	14,784
Sales during the year	72,329	72,213
Accommodation, food and other miscellaneous expenses	5,963	4,380

A) Balances receivable from related parties are as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Al Othman Agriculture Production and Processing Company ("NADA")	21,202	11,855
Systems of Strategic Business Solutions Company ("SSBS")	-	85
	21,202	11,940

B) Balances payable to related parties are as follows:

	December 31 2017 SR '000	December 31 2016 SR '000
Al Hassa Development Company (former related party)	-	4,300
Mohamed Al-Othman agency for travel and tourism (Al-Othman Travel)	366	530
Systems of Strategic Business Solutions Company ("SSBS")	629	329
Others	16	541
	1,011	5,700

25. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	December 31 2017 SR '000	December 31 2016 SR '000
Remuneration	**7,232**	8,152
House rent allowance	**1,481**	1,574
Medical allowance	**107**	116
Utilities allowance	**100**	171
Bonus	**1,785**	1,768
Employee benefits	**468**	394
Others	**188**	62
	11,361	12,237

26. OPERATING LEASE ARRANGEMENTS

The Group has entered into operating lease agreement for land/building/employee accommodation for a time period between one year to thirty years. The Group holds no right to acquire this property at the end of the contract.

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Expenses recognized against leasing Arrangements	**12,166**	10,236	7,545

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000
Not later than 1 year	**1,756**	3,062
Later than 1 year and not later than 5 years	**11,107**	11,749
Later than 5 years	**18,173**	15,091
	31,036	29,902

27. CONTINGENCIES AND COMMITMENTS

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Letters of credit	**10,445**	15,650	113,148
Letter of guarantees and others	**4,442**	4,867	46,483
Capital commitments against purchase of property, plant and equipment	**11,968**	31,208	22,372

28. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. With regard to diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Loss per share are represented as follows:

	December 31, 2017	December 31, 2016
Basic/ Dilutive loss per share (SR)	(1.77)	(1.27)
Loss for the year (SR '000)	(168,235)	(62,093)
Weighted average number of outstanding shares	95,000,000	49,052,740

29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including interest rate risk and Foreign currency exchange risk)
- Capital management 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.

29.1 Financial instruments by category

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Financial assets at amortized cost			
Trade receivables	310,334	356,488	423,893
Trade receivables – related parties	21,202	11,855	21,958
Other receivables	42,868	47,765	73,992
Held to maturity investment	6,958	-	-
Due from related party	-	85	1,673
Cash and bank balances	41,583	43,269	106,794
Total financial assets	422,945	459,462	628,310

The Group has no financial assets at fair value through profit and loss.

29. FINANCIAL RISK MANAGEMENT (Continued)

29.1 Financial instruments by category (Continued)

Financial liabilities at amortized cost:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Trade payables and other liabilities	**234,682**	233,683	324,847
Due to related parties	**1,011**	5,700	5,093
Short term loans	**698,788**	610,452	811,686
Medium and long term loans	**453,506**	530,806	1,015,522
Total financial liabilities	**1,387,987**	1,380,641	2,157,148

The Group have no financial liability at fair value through profit and loss.

29.2 Financial instruments and related disclosures

The Group reviews and agrees policies for managing each of the risks and these policies are summarized below:

29.2.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Trade receivables	**310,334**	356,488	423,893
Trade receivables – related parties	**21,202**	11,855	21,958
Due from related parties	**-**	85	1,673
Other receivables	**42,868**	47,765	73,992
Held to maturity investments	**6,958**	-	-
Cash at bank	**41,307**	42,941	106,428
	422,669	459,134	627,944

The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks with sound credit rating. With respect to credit risk arising from the financial assets of the Group, including receivables from employees and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the consolidated statement of financial position. The group manages credit risk with respect to its receivables from customers by monitoring it in accordance with the established policies and procedures which includes establishment of credit limits and regular monitoring of the ageing of trade receivables.

The Group's management determines the credit risk by regularly monitoring the creditworthiness rating its of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a separate list, and future credit sales are made only with approval of key directors, otherwise payment in advance is required. The group assess the recoverable amount of its receivables to ensure adequate allowance for impairment is made.

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 Financial instruments and related disclosures (Continued)

29.2.1 Credit risk (Continued)

Trade receivables are classified as past due if they are outstanding for more than 30-120 days based on respective customer credit period. For ageing of receivables refer note 10.2. Analysis of trade receivables is as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Not past due	205,114	213,010	277,691
Past due	126,422	155,418	169,833
Less: Provision for doubtful debts	(38,086)	(24,593)	(34,792)
	88,336	130,825	135,041
	293,450	343,835	412,732

29.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual cash payments:

Financial liabilities

2017	Carrying amount SR '000	On demand or less than one year SR '000	One year to five years SR '000
Trade payable and other liabilities	234,682	234,682	-
Due to related parties	1,011	1,011	-
Short term loans	698,788	698,788	-
Medium and long term loan	453,506	96,684	356,822
	1,387,987	1,031,165	356,822

2016	Carrying amount SR '000	On demand or less than one year SR '000	One year to five years SR '000
Trade payable and other liabilities	233,683	233,683	-
Due to related parties	5,700	5,700	-
Short term loans	610,452	610,452	-
Medium and long term loan	530,806	83,502	447,304
	1,380,641	933,337	447,304

As at December 31, 2017 the Group's current liabilities exceed its current assets. The Group is managing its future cash flow requirements through the cash inflows from operations and unavailed credit facilities (note 15). Management is confident of its ability to renew these facilities as they become due and avail new facilities as required.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash or on a credit term basis.

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 Financial instruments and related disclosures (Continued)

29.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Commission rate risk

Commission rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft, bank facilities and other borrowings. Management limits the Group's interest rate risk by monitoring changes in interest rates. Management monitors the changes in commission rates and believes that the cash flow and fair value commission rate risk to the Group is not significant.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

Commission rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of the assets or liability outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

		Increase/ Decrease in basis points of interest rates	Effect on income for the year
			SR '000
December 31, 2017	**SAR**	**+100**	**10,556**
	SAR	**-100**	**(10,556)**
December 31, 2016	SAR	+100	10,578
	SAR	-100	(10,578)

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 Financial instruments and related disclosures (Continued)

29.2.3 Market risk (Continued)

ii) Currency risks:
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major financial assets and financial liabilities are denominated in Saudi Riyal, US Dollars (USD), Euro (EUR), Emirates Dirham (AED), and Egyptian Pounds (EGP). Saudi riyals are pegged to the US Dollar, consequently balances in those currencies are not considered to represent a currency risk. Management monitors the fluctuations in Euro, Egyptian Pound currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date except for assets and liabilities in Egyptian Pound, for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

	Currency	**December 31, 2017 SR '000**	December 31, 2016 SR '000	January 1, 2016 SR '000
Cash and cash equivalent	USD	**16,892**	14,040	7,415
	EUR	**1,584**	952	2,456
	EGP	**5,549**	13,148	14,602
	AED	**565**	-	-
		24,590	28,140	24,473
Trade receivables	EGP	**10,986**	13,129	20,165
	USD	**77,494**	46,345	82,719
	EUR	**7,665**	7,036	8,485
		96,145	66,510	111,369
Trade payable and other liabilities	EGP	**(5,856)**	(455)	(1,928)
	USD	**(13,227)**	(8,401)	(17,627)
	EUR	**(5,542)**	(978)	(960)
	AED	**(197)**	(228)	(652)
	CHF	**(12)**	(51)	-
	GBP	**(9)**	(43)	(22)
	BHD	**(18)**	(18)	(18)
		(24,861)	(10,174)	(21,207)
Short-term loans	EGP	**(3,159)**	(377)	(2,510)
	USD	**(5,690)**	(16,010)	(11,666)
	EUR	**-**	(880)	-
		(8,849)	(17,267)	(14,176)
Net statement of financial position exposure		**87,025**	67,209	100,459

29.2.4 Fair values of financial instruments

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 Group's financial assets consist of cash and cash equivalents, accounts receivables and some other assets, while its financial liabilities consist of trade accounts payables, some accrued expenses and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 Financial instruments and related disclosures (Continued)

29.2.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of December 31, 2017 and 2016 were as follows:

	December 31, 2017 SR '000	December 31, 2016 SR '000	January 1, 2016 SR '000
Total debt	**1,152,294**	1,141,258	1,827,208
Less: cash and bank balances	**(41,583)**	(43,269)	(106,794)
Net debt	**1,110,711**	1,097,989	1,720,414
Total equity	**739,788**	912,959	432,474
Total capital employed	**1,850,499**	2,010,948	2,152,888
Gearing ratio	**60.02%**	54.60%	79.91%

30. TRANSITION TO IFRS

As stated in note 3.1, Group's consolidated financial statements are prepared in accordance with accounting standards highlighted under International Financial Reporting Standards (IFRS). The accounting policies described in note 4 have been applied in preparing the consolidated financial statements for the year ended December 31, 2017. The comparative information presented in the consolidated statement of financial position in these consolidated financial statements is for December 31, 2016 and in the preparation of an opening IFRS statement of financial position is at January 1, 2016 (the Group's date of transition).

30. TRANSITION TO IFRS (Continued)

30.1 Effect of IFRS adoption on the consolidated statement of financial position.

		December 31, 2016			January 1, 2016		
		As per			As per		
	Note 30.4	SOCPA SR '000	Transition effect SR '000	IFRS SR'000	SOCPA SR '000	Transition effect SR '000	IFRS SR '000
ASSETS							
Non-current assets							
Property, plant and equipment		1,207,616	-	1,207,616	1,212,975	-	1,212,975
Intangible assets		13,832	-	13,832	24,169	-	24,169
Goodwill		323,582	-	323,582	323,582	-	323,582
		1,545,030	-	1,545,030	1,560,726	-	1,560,726
Current assets							
Inventories		332,312	-	332,312	456,705	-	456,705
Trade receivables		343,835	-	343,835	412,732	-	412,732
Prepaid expenses and other receivables		77,777	-	77,777	114,891	-	114,891
Cash and cash equivalents		43,269	-	43,269	106,794	-	106,794
		797,193	-	797,193	1,091,122	-	1,091,122
TOTAL ASSETS		2,342,223	-	2,342,223	2,651,848	-	2,651,848
Equity							
Share capital		950,000	-	950,000	350,000	-	350,000
Statutory reserve		29,419	-	29,419	29,419	-	29,419
Other reserves	b	(51,987)	3,508	(48,479)	(6,439)	-	(6,439)
Retained earnings (accumulated losses)	a, b	9,369	(27,350)	(17,981)	82,041	(22,547)	59,494
		936,801	(23,842)	912,959	455,021	(22,547)	432,474
Non-current liabilities							
Medium and long term loans	a	424,760	22,544	447,304	781,992	15,913	797,905
Employee benefits	b	36,867	1,298	38,165	40,925	6,634	47,559
		461,627	23,842	485,469	822,917	22,547	845,464
Current liabilities							
Current portion of medium and long term loans		83,502	-	83,502	217,617	-	217,617
Short term loans		610,452	-	610,452	811,686	-	811,686
Trade payable and other liabilities		249,841	-	249,841	344,607	-	344,607
		943,795	-	943,795	1,373,910	-	1,373,910
TOTAL EQUITY AND LIABILITIES		2,342,223	-	2,342,223	2,651,848	-	2,651,848

30. TRANSITION TO IFRS (Continued)

30.2 Effect of IFRS adoption on the consolidated statement of profit or loss and other comprehensive income.

For the year ended December 31, 2016

	Note 30.4	December 31, 2016 SOCPA	Transition Adjustment	December 31, 2016
		SR '000	SR '000	SR '000
Revenue		1,415,596	-	1,415,596
Cost of revenue		(1,214,020)	-	(1,214,020)
Gross profit		201,576	-	201,576
Administrative expenses	b	(93,993)	3,481	(90,512)
Selling, marketing and distribution expenses		(73,863)	-	(73,863)
Research expenses		(1,599)	-	(1,599)
Operating profit		32,121	3,481	35,602
Financial charges	a, b	(75,677)	(8,284)	(83,961)
Other expenses, net		(11,730)	-	(11,730)
Loss before zakat and income tax		(55,286)	(4,803)	(60,089)
Zakat and income tax		(2,004)	-	(2,004)
Loss for the year		(57,290)	(4,803)	(62,093)
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to statement of profit or loss				
Remeasurement of employee benefits	b	-	3,508	3,508
Item that may be reclassified subsequently to statement of profit or loss				
Exchange differences on translation of foreign operation		-	(45,548)	(45,548)
Total comprehensive loss for the year		(57,290)	(46,843)	(104,133)

30. TRANSITION TO IFRS (Continued)

30.3 Reconciliation of equity under IFRS and SOCPA.

	Note 30.4	December 31, 2016 SR '000	January 1, 2016 SR '000
Total equity under SOCPA		936,801	455,021
Remeasurement of medium and long term loans	a	(22,544)	(15,913)
Increase in provision against employee benefits	b	(1,298)	(6,634)
Total adjustments to equity		(23,842)	(22,547)
Total equity under IFRS		912,959	432,474

30.4 Notes to reconciliations

a) Re-measurement of medium and long term loans

Under SOCPA, the Group used to amortize debt arrangement cost on straight line basis. Upon conversion to IFRS the Group has made an assessment to re-measure its debt arrangement cost related to its medium and long term loans using effective interest rate method as required by IAS 39. The effect of this change is a decrease in equity by SR 15.91 million and SR 22.54 million as at January 1, 2016 and December 31, 2016 respectively. The effect on consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016 is SR 6.63 million.

b) Employee benefits

Under SOCPA, the Group accounted for employee benefits with reference to the mode of computation stipulated under the Saudi Labor law. Under IFRS, the Group accounts for employee benefits as a defined benefit obligation recognized on actuarial basis. Accordingly, the Group appointed an independent actuary for the computation of the defined benefit liability as at January 1, 2016 and onwards. The obligation computed by the actuary as compared with the liability recorded under SOCPA has resulted in an increase of SR 6.63 million and SR 1.30 million as at January 1, 2016 and December 31, 2016 respectively.

The impact of actuarial valuation for employee benefits in statement of profit or loss and comprehensive income is decrease in expense by SR 1.84 million for the year ended December 31, 2016. The actuarial valuation as of December 31, 2016 resulted in actuarial gain amounting to SR 3.51 million which is recognized in Other Comprehensive Income.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 20, 2018 corresponding to Rajab 3, 1439H.