

# SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED ٢٠ JUNE ٢٠١٨  
AND INDEPENDENT AUDITOR'S REVIEW REPORT

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

Interim Condensed Consolidated Financial Statements and Independent Auditor's Review Report  
For the Six-month Period Ended 30 June 2018

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**Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Industrial Investment Group Company (A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Industrial Investment Group Company, A Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 June 2018, and the related interim condensed consolidated statement of income and other comprehensive income for the three and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

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

**Conclusion**

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

for Ernst & Young

Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437



13 Dhul-Qadah 1439H  
26 July 2018

Alkhobar

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and  
its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		<b>30 June 2018</b>	31 December 2017
		<b>SR "000"</b>	SR "000"
	Note	<b>(un-audited)</b>	(audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	<b>15,641,753</b>	16,071,975
Investment in joint ventures	5	<b>2,382,608</b>	2,469,662
Employees' loans		<b>117,786</b>	116,430
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,142,147</b>	18,658,067
<b>CURRENT ASSETS</b>			
Trade receivables		<b>1,104,996</b>	1,108,947
Inventories	6	<b>1,107,859</b>	1,092,938
Prepayments and other receivables	7	<b>114,471</b>	111,861
Amounts due from related parties	8	<b>239,255</b>	228,510
Short term deposits	9	<b>1,905,250</b>	1,168,700
Cash and cash equivalents	10	<b>2,320,694</b>	2,653,869
<b>TOTAL CURRENT ASSETS</b>		<b>6,792,525</b>	6,364,825
<b>TOTAL ASSETS</b>		<b>24,934,672</b>	25,022,892
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	<b>4,500,000</b>	4,500,000
Statutory reserve		<b>750,018</b>	750,018
Retained earnings		<b>1,609,372</b>	1,313,930
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY</b>		<b>6,859,390</b>	6,563,948
Non-controlling interests		<b>6,894,377</b>	6,435,591
<b>TOTAL EQUITY</b>		<b>13,753,767</b>	12,999,539

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

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2018

	Note	30 June 2018 SR "000" (un-audited)	31 December 2017 SR "000" (audited)
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Term loans	12	5,706,163	6,625,869
Non-controlling partner's subordinated loan	8	594,035	817,988
Sukuk	13	-	1,070,000
Deferred tax liabilities, net		302,458	276,040
Employees' benefits		181,606	167,032
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6,784,262</b>	<b>8,956,929</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		47,282	218,967
Amounts due to related parties	8	255,075	234,076
Current portion of term loans	12	1,389,759	1,368,027
Sukuk	13	1,070,000	-
Accrued expenses and other payables	14	780,518	417,066
Dividends payable		225,000	225,000
Zakat and income tax provisions	15	629,009	603,288
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,396,643</b>	<b>3,066,424</b>
<b>TOTAL LIABILITIES</b>		<b>11,180,905</b>	<b>12,023,353</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,934,672</b>	<b>25,022,892</b>

Designated member  
Sulaiman Al-Mandeel

Finance Director  
Hazem Abu Swaireh

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2018	2017	2018	2017
	SR "000"	SR "000"	SR "000"	SR "000"
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Sales	2,239,388	1,754,114	4,449,918	3,439,381
Cost of sales	(1,517,046)	(1,333,283)	(2,964,439)	(2,516,150)
<b>GROSS PROFIT</b>	<b>722,342</b>	420,831	<b>1,485,479</b>	923,231
Selling and distribution expenses	(114,746)	(102,245)	(229,742)	(201,568)
General and administrative expenses	(57,888)	(60,501)	(103,479)	(112,123)
Share in net results of joint ventures	195,010	4,274	231,696	265,435
Loss in investment of a joint venture	-	(7,500)	-	(28,125)
<b>OPERATING PROFIT</b>	<b>744,718</b>	254,859	<b>1,383,954</b>	846,850
Other (losses) income, net	(766)	52,954	24,747	69,172
Financial charges	(81,533)	(69,227)	(159,459)	(122,945)
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>	<b>662,419</b>	238,586	<b>1,249,242</b>	793,077
Zakat and income tax:				
<i>Current tax</i>	(23,075)	2,336	(47,786)	(11,703)
<i>Deferred tax</i>	(12,296)	(6,469)	(26,418)	(24,170)
<i>Zakat</i>	(40,984)	(14,099)	(75,810)	(65,097)
<b>NET INCOME FOR THE PERIOD</b>	<b>586,064</b>	220,354	<b>1,099,228</b>	692,107
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PRIOD</b>	<b>586,064</b>	220,354	<b>1,099,228</b>	692,107
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>				
- Shareholders of the Company	321,401	70,252	520,442	379,796
- Non-controlling interests	264,663	150,102	578,786	312,311
	<b>586,064</b>	220,354	<b>1,099,228</b>	692,107
<b>EARNINGS PER SHARE (Saudi Riyals)</b>				
Number of share outstanding (in thousands)	450,000	450,000	450,000	450,000
Basic and diluted earnings per share attributable to the shareholders of the Company	0.71	0.16	1.16	0.84
Designate member	Sulaiman Al-Mandeel		Finance Director	
			Hazem Abu Swaireh	

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

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2018

	<i>Attributable to the shareholders of the Company</i>				<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>		
	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>		
Balance as 1 January 2018 (audited)	4,500,000	750,018	1,313,930	6,563,948	6,435,591	<b>12,999,539</b>
Income before zakat and income tax	-	-	596,252	596,252	652,990	<b>1,249,242</b>
Current tax	-	-	-	-	(47,786)	<b>(47,786)</b>
Deferred tax	-	-	-	-	(26,418)	<b>(26,418)</b>
Zakat	-	-	(75,810)	(75,810)	-	<b>(75,810)</b>
Comprehensive income for the period	-	-	520,442	520,442	578,786	<b>1,099,228</b>
Dividends	-	-	(225,000)	(225,000)	(120,000)	<b>(345,000)</b>
<b>Balance at 30 June 2018 (un-audited)</b>	<b>4,500,000</b>	<b>750,018</b>	<b>1,609,372</b>	<b>6,859,390</b>	<b>6,894,377</b>	<b>13,753,767</b>
As at 1 January 2017 (audited)	4,500,000	607,979	909,430	6,017,409	5,713,570	11,730,979
Income before zakat and income tax	-	-	444,893	444,893	348,184	793,077
Current tax	-	-	-	-	(11,703)	(11,703)
Deferred tax	-	-	-	-	(24,170)	(24,170)
Zakat	-	-	(65,097)	(65,097)	-	(65,097)
Comprehensive income for the period	-	-	379,796	379,796	312,311	692,107
Dividends	-	-	(225,000)	(225,000)	(120,000)	(345,000)
Balance at 30 June 2017 (un-audited)	4,500,000	607,979	1,064,226	6,172,205	5,905,881	12,078,086

Designated member  
Sulaiman Al-Mandeeel

Finance Director  
Hazem Abu Swaireh

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

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2018

	Six-month period ended 30 June 2018 SR "000" (un-audited)	Six-month period ended 30 June 2017 SR "000" (un-audited)
	Note	
<b>Cash flow from operating activities</b>		
Income before zakat and income tax	1,249,242	793,077
<i>Adjustments to reconcile income before zakat and income tax to net cash flows from operations:</i>		
Depreciation of property, plant and equipment	442,536	459,786
Financial charges	159,459	122,945
Employees' benefits, net	14,574	14,511
Share in net results of joint ventures	(231,696)	(265,435)
Loss in investment of a joint venture	-	28,125
Property, plant and equipment written-off	112	-
Loss (gain) on disposal of property, plant and equipment	110	(2)
	<b>1,634,337</b>	<b>1,153,007</b>
<b>Working capital adjustments:</b>		
Trade receivables	3,951	(313,537)
Inventories	(14,921)	(37,895)
Employees' loans, prepayments and other receivables	(3,966)	20,475
Amounts due from related parties	(10,745)	(6,049)
Amounts due to related parties	20,999	(127,724)
Trade payables	(171,685)	123,382
Accrued expenses and other payables	359,397	(246,689)
	<b>1,817,367</b>	<b>564,970</b>
<b>Net cash flows from operations</b>	<b>1,817,367</b>	<b>564,970</b>
Financial charges paid	(122,509)	(94,818)
Zakat and income tax paid	(97,875)	(27,285)
	<b>1,596,983</b>	<b>442,867</b>
<b>Net cash flows from operating activities</b>	<b>1,596,983</b>	<b>442,867</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(13,107)	(48,818)
Net movement in short term deposits	(736,550)	120,500
Dividends received from joint ventures	318,750	262,500
Proceeds from disposal of property, plant and equipment	571	44
	<b>(430,336)</b>	<b>334,226</b>
<b>Net cash flows (used in) from investing activities</b>	<b>(430,336)</b>	<b>334,226</b>
<b>Financing activities</b>		
Net movement in term loans	(897,974)	(665,623)
Net movement in non-controlling partner's subordinated loan	(256,848)	(17,159)
Dividends paid	(345,000)	(345,000)
	<b>(1,499,822)</b>	<b>(1,027,782)</b>
<b>Net cash flows used in financing activities</b>	<b>(1,499,822)</b>	<b>(1,027,782)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(333,175)</b>	<b>(250,689)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,653,869</b>	<b>2,833,452</b>
<b>Cash and cash equivalents at the end of the period</b>	10 <b>2,320,694</b>	<b>2,582,763</b>

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



Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

For the six-month period ended 30 June 2018

**Non-cash transactions**

	<b>Six-month period ended 30 June 2018 SAR "000" (un-audited)</b>	Six-month period ended 30 June 2017 SAR "000" (un-audited)
Accrued interest on non-controlling partner's subordinated loan	<b>32,895</b>	22,420
Net movement of non-cash amount in accrued interest	<b>4,055</b>	5,707

Designated member  
Sulaiman Al-Mandeel

Finance Director  
Hazem Abu Swaireh

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

At 30 June 2018

### 1 Corporate information

Saudi Industrial Investment Group Company ("the Company") is a Saudi Joint Stock Company registered in Riyadh city, the Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated on 10 Sha'ban 1416 H (1 January 1996). The registered address of the Company is P.O. Box 99833, Al Riyadh City, the Kingdom of Saudi Arabia.

The accompanying interim condensed consolidated financial statements include the activities of the Company and its following subsidiary (collectively referred to as "the Group"):

	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
National Petrochemical Company (A Joint Stock Company) and its subsidiaries	Saudi Arabia	50
The subsidiaries of National Petrochemical Company are as follows:		
• Saudi Polymers Company (A Limited Liability Company)	Saudi Arabia	65
• Gulf Polymers Distribution Company (A Free Zone Limited Liability Company)	Saudi Arabia	65

The Group is engaged in the development of the industrial base in the Kingdom of Saudi Arabia, in particular the petrochemical industries and opening the fields of export to foreign markets and to allow the private sector to enter the other industries using the products of the petrochemical industry after obtaining the necessary licenses from the competent authorities.

### 2 Basis of preparation

#### 2.1 Statement of compliance

These interim condensed consolidated financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements to be prepared in accordance with IFRS that are endorsed in KSA and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018 (note 3). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 and accounting policies for these new standards are disclosed in note 3.

#### 2.2 Basis of measurement

The interim condensed consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting.

For employee and other post-employment benefits, actuarial present value calculations are used.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 30 June 2018

### 2 Basis of preparation (continued)

#### 2.2 Basis of measurement (continued)

The interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group except for the Gulf Distribution Polymers Company FZCO which translated in these interim condensed consolidated financial statement from US Dollar currency to Saudi Riyals currency on a fixed rate of SR 3.75 to 1 US Dollar.

All values are rounded to the nearest thousand (SR '000'), except when otherwise indicated.

#### 2.3 Basis of consolidation

The interim condensed consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiary. Subsidiary is an entity controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls investee if, and only if, the Group has all of the following three elements:

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

The subsidiary is consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases. Inter-group investment, transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiary is consistent with those adopted by the Group.

Non-controlling interests in the results and equity of not wholly owned subsidiary are shown separately in the interim condensed consolidated statement of income and other comprehensive income and interim condensed consolidated statement of financial position and interim condensed consolidated statement of changes in equity, respectively.

#### 2.4 Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved on 13 Dhul-Qada 1439H (corresponding to 26 July 2018).

### 3 Summary of changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 9- Financial Instruments and IFRS 15- Revenue from Contracts with Customers from 1 January 2018. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### 3.1 IFRS 9- Financial Instruments

##### 3.1.1 Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

### 3 Summary of changes to the Group's accounting policies (continued)

#### 3.1 IFRS 9- Financial Instruments (continued)

##### 3.1.1 Financial Assets (continued)

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

##### Measurement

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

##### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's condensed consolidated statement of financial position) when:

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

##### Impairment of financial assets

For trade and other receivables, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets as fair value through other comprehensive income, finance income is recorded using the Effective Interest Rate ("EIR"). EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

##### 3.1.2 Financial Liabilities

There are no changes in the recognition and measurement of financial liabilities. Consequently, accounting policies in relation to financial liabilities is not presented.

#### 3.2 IFRS 15- Revenue from Contracts with Customers

The Group recognises revenue from contracts with customers based on a five-step out in applicable standards as adopted by SOCPA. This included:

- a) Identification of contract with a customer, i.e., agreements with the Group that creates enforceable rights and obligations.
- b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.
- c) Determination of the transaction price which shall be the amount of consideration the Group will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 30 June 2018

### **3 Summary of changes to the Group's accounting policies (continued)**

#### **3.2 IFRS 15- Revenue from Contracts with Customers (continued)**

d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.

e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group shall assess its revenue arrangements against specific criteria to determine if it is acting as a principal or agent.

The specific recognition criteria described below must also be met before revenue is recognised. Where there is no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

#### *Sales revenue:*

The Group manufactures and sells a wide range of products. For such products, sales shall be recognised when control of the products transfers to the customer, which shall be considered in the context of the following the five-steps approach mentioned previously and applying the applicable shipping terms (or 'incoterms').

#### *Financing components*

The Group currently does not have or expect to have any customer contracts in routine sales or products where the period between the transfer of the promised products or services to the customer and payment by the customer exceeds a period of one year. As a consequence, the Group currently does not adjust any of the transaction prices for the time value of money. However, if any such case is identified, the related amounts shall be re-measured to adjust for the time value of money.

### **3.3 Impact of changes in accounting policies due to adoption of new standards**

Effective 1 January 2018, the Group has adopted the two new accounting standards mentioned above "IFRS 9 and IFRS 15" with no material impact on the interim condensed consolidated financial statements of the Group as elaborated below.

#### **3.3.1 IFRS 9- Financial Instruments**

The majority of the Group's financial assets are classified as financial assets carried at amortised cost. This category is the most important for the Group and is kept within a business model that meets the conditions mentioned above. This category includes cash and cash equivalents, time deposits, trade receivables and other current debtors. Consequently, there is no material impact on the interim condensed consolidated financial statements of the Group.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **3.3.2 IFRS 15- Revenue from Contracts with Customers**

The Group is engaged in the production of motor fuel mixture, fuel oil, ethylene, propylene, hexane, high and low density polyethylene and polypropylene styrene. The sale of the product is generally expected to be the sole obligation of implementation of the Group; therefore, the application of IFRS 15 does not have any impact on the Group's revenue, profit or loss.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

### 3 Summary of changes to the Group's accounting policies (continued)

#### 3.3 Impact of changes in accounting policies due to adoption of new standards (continued)

##### 3.3.3 Significant accounting estimates, assumptions and judgments

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods except for the significant new judgments and significant sources of estimates and uncertainties related to the application of IFRS 9 and IFRS 15 as mentioned above in note 3.1 and note 3.2 respectively.

### 4 Property, plant and equipment

The movements for the Group's property, plant and equipment were as follows:

	<b>For the six-month period ended 30 June 2018 SR "000" (un-audited)</b>	For the six-month period ended 30 June 2017 SR "000" (un-audited)
Net book value at the beginning of the period	<b>16,071,975</b>	16,898,674
Additions during the period	<b>13,107</b>	48,818
Net book value of the disposals during the period	<b>(681)</b>	(42)
Net book value of the written-off during the period	<b>(112)</b>	-
Depreciation charged during the period	<b>(442,536)</b>	(459,786)
<b>Net book value at the end of the period</b>	<b>15,641,753</b>	16,487,664

Part of the Group's property, plant and equipment are secured by (i) liens against term loan from Saudi Industrial Development Fund and (ii) assignment of residual proceeds against term loans from consortium of commercial banks and Public Investments Fund ("PIF").

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

### 5 Investment in joint ventures

The joint ventures are the following companies established in the Kingdom of Saudi Arabia as limited liability companies:

	Percentage of ownership
Saudi Chevron Phillips Company	50
Jubail Chevron Phillips Company	50

The Group announced on 31 January 2018 the suspension of the joint ventures operations in order to carry out regular scheduled maintenance and renewal of the catalyst materials. The Group announced the completion of the maintenance and the joint ventures re-started their operations on 22 March 2018. Accordingly, there was a decrease in the Group's share in results of the joint ventures during the first quarter of 2018.

### 6 Inventories

	30 June 2018 SR "000" (un-audited)	31 December 2017 SR "000" (audited)
Finished goods	537,073	498,458
Raw materials	2,391	3,731
Spares	421,317	436,436
Catalyst, chemicals and additives	147,078	154,313
	<b>1,107,859</b>	<b>1,092,938</b>

### 7 Prepayments and other receivables

	30 June 2018 SR "000" (un-audited)	31 December 2017 SR "000" (audited)
Value added tax receivables, net	40,246	3,233
Employees' loans- current portion	28,151	26,088
Prepayments	13,824	26,655
Cash margin against issuance of Sukuk (note 13)	16,455	16,455
Cash margin against bank guarantee	2,263	26,923
Accrued interest income	7,855	4,492
Other receivables	5,677	8,015
	<b>114,471</b>	<b>111,861</b>

## Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

#### 8 Related parties' transactions and balances

Related parties represent shareholders and entities controlled, jointly controlled or significantly influenced by such parties (affiliates).

##### a The following are the major related parties' transactions:

Related parties	Relationship	Nature of transactions	For the six-month period ended 30 June 2018 SR "000" (un-audited)	For the six-month period ended 30 June 2017 SR "000" (un-audited)
Saudi Chevron Phillips Company (note a.1)	Joint venture	Sales	137,662	105,081
		Purchases	(10,441)	(2,725)
		Support services	(189,778)	(196,358)
Jubail Chevron Phillips Company	Joint venture	Sales	166,430	86,904
		Purchases	(609,871)	(556,252)
Chevron Phillips Chemical Company LLC (note a.2)	Related party	Royalty	(25,440)	(21,407)
Chevron Phillips Chemical Global Employment Company LLC	Related party	Support services	(25,977)	(35,693)
Chevron Phillips Chemical International Sales LLC	Related party	Support services	(2,356)	(3,926)
		Marketing fees	(154,440)	(126,315)
Chemical Services Inc.	Related party	Support services	(575)	(21,863)

(note a.1) The Group entered into a common facilities agreement (the "Agreement") with Saudi Chevron Phillips Company ("joint venture") pursuant to which, joint venture provides support services to the Group in operations and maintenance, management support and technical support.

(note a.2) The Group entered into a royalty agreement (the "Agreement") with Chevron Phillips Chemical Company LLC in prior years under which the related party charged the royalty for the use of polymerization processes.

(note a.3) The non-controlling partner of Saudi Polymers Company (a consolidated subsidiary) have provided non-interest bearing subordinated loan of SR 1,133 million in prior years to finance the construction of a petrochemical plant. The repayment of the loan is subject to certain covenants being met under the terms of commercial loan facilities (note 12). The Group has repaid SR 518 million in current and prior periods. The net impact of the accumulated unwinding financial charges and the remeasurement of the subordinated loan in current and prior periods was SR 20.6 million.



Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

**8 Related parties' transactions and balances (continued)**

**b The following are the related parties' ending balances:**

Related parties	30 June 2018 SR "000" (un-audited)	31 December 2017 SR "000" (audited)
<i>b.1 Amounts due from related parties under current assets:</i>		
Saudi Chevron Phillips Company	173,635	186,375
Jubail Chevron Phillips Company	65,620	42,135
	<b>239,255</b>	<b>228,510</b>
<i>b.2 Amounts due to related parties under current liabilities:</i>		
Saudi Chevron Phillips Company	50,866	61,954
Jubail Chevron Phillips Company	145,316	116,775
Chevron Phillips Chemical Global Employment Company LLC	8,767	2,295
Chemical Services Inc.	-	203
Chevron Phillips Chemical International Sales LLC	50,126	52,849
	<b>255,075</b>	<b>234,076</b>

**c The following are the key management personnel compensation:**

Remuneration for the six-month period ended 30 June 2018 and 30 June 2017 of key management are detailed as follows:

	For the six-month period ended 30 June 2018 SR "000" (un-audited)	For the six-month period ended 30 June 2017 SR "000" (un-audited)
Short-term employees' benefits	12,369	11,026
Terminal benefits	1,800	591
	<b>14,169</b>	<b>11,617</b>

**9 Short term deposits**

Short term deposits are placed with local banks in Saudi Riyal, with original maturity more than 3 months and less than one year carry commission at commercial rates.

**10 Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	30 June 2018 SR "000" (un-audited)	31 December 2017 SR "000" (audited)
Bank balances	2,320,694	2,304,569
Time deposits	-	349,300
	<b>2,320,694</b>	<b>2,653,869</b>

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

### 10 Cash and cash equivalents (continued)

Time deposits are placed with local banks in Saudi Riyal, with maturity of 3 months or less and carry commission at commercial rates.

Part of the Group's bank balances amounting to SR 2,164 million (31 December 2017: SR 2,152 million) are assigned as security against loan facilities from consortiums of commercial banks and Public Investment Fund ("PIF") (see note 12). This includes SR 1,097 million (31 December 2017: SR 1,073 million) related to debt service requirements.

### 11 Share capital

The share capital amounting to SR 4,500 million is divided into 450 million shares of SR 10 each as of 30 June 2018 and 31 December 2017.

### 12 Term loans

The term loans represent the utilised amounts from loan facilities obtained by the Group from a consortium of local and foreign commercial banks, PIF and Saudi Industrial Development Fund ("SIDF"). These facilities are secured by various guarantees including pledges over certain property, plant and equipment and bank accounts of the Group. These loans carry varying interest rates in excess of LIBOR and are consistent with the terms of each loan facility agreement. Those loans should be repaid on semi-annually installments. The portion of term loans payable beyond 30 June 2019 has been reclassified under non-current liabilities. The Group is required to comply with the covenants stipulated for in all of the loan facility agreements.

### 13 Sukuk

On 25 Sha'aban 1435H (corresponding to 23 June 2014), the National Petrochemical Company (a consolidated subsidiary) issued Sukuk amounting to SR 1.2 billion at par value of SR 1 million each without discount or premium. The Sukuk issuance bears a variable rate of return at SIBOR plus 1.7% margin, payable semi-annually. The Sukuk are due at par value on its maturity date of 20 Shawwal 1440H (corresponding to 23 June 2019). Consequently, the Sukuk considered from this period as a current liability.

Sukuk balance of SR 1,070 million in these interim condensed consolidated financial statements represents issued Sukuk value after eliminating the value of the Company investment in these Sukuk.

In accordance with the Sukuk agreement dated 25 Sha'ban 1435H (corresponding to 23 June 2014), an amount of SR 16.5 million was deposited as a cash margin held by Riyadh Capital Company in an open account on behalf of the Sukukholders' Agent (note 7).

### 14 Accrued expenses and other payables

	<b>30 June 2018</b>	31 December 2017
	<b>SR "000"</b>	SR "000"
	<b>(un-audited)</b>	(audited)
Accrued expenses	<b>551,384</b>	264,732
Advances from customers	<b>75,818</b>	54,660
Other payables	<b>153,316</b>	97,674
	<b><u>780,518</u></b>	<u>417,066</u>

### 15 Zakat and income tax provisions

The Group is subject to zakat and income tax in accordance with the regulation of the General Authority of Zakat and Tax ("GAZT"). Provisions for zakat and income tax are charged to the interim condensed consolidated statement of income and other comprehensive income.

## Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

#### 15 Zakat and income tax provisions (continued)

##### *Status of assessments*

##### *Status of assessments of Saudi Industrial Investment Group Company*

The Company has filed its Zakat and Income Tax returns with the General Authority of Zakat and Tax ("GAZT") up to 2016. The Company has finalised its zakat status with the General Authority of Zakat and Tax ("GAZT") for all years up to 31 December 2006 on standalone basis. The GAZT raised an assessments for the years from 2007 to 2014 claiming additional zakat liability of SR 42 million. The Company has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC") and the PAC's hearing is awaited. The assessments for 2015 and 2016 still under GAZT's review.

##### *Status of assessments of National Petrochemical Company (Petrochem)*

The subsidiary has filed its Zakat and Income Tax returns with the General Authority of Zakat and Tax ("GAZT") up to 2016. The subsidiary has finalised its zakat status with the General Authority of Zakat and Tax ("GAZT") for all years up to 31 December 2009 on a standalone basis and number of additional liability have been issued by GAZT as follows:

The GAZT raised an assessment for 2010 claiming additional zakat liability of SR 74.42 million. The subsidiary has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC") and received revised zakat assessment for 2010 from the GAZT claiming additional zakat liability of SR 241,485 which accepted by the management.

The GAZT raised assessments for the years from 2011 to 2013 claiming additional zakat liability of SR 95.5 million. The subsidiary has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC"). The subsidiary received revised zakat assessments for the years from 2011 to 2013 from the GAZT claiming additional zakat liability of SR 5.74 million. The subsidiary accepted and paid SR 3.47 million and filed an appeal for the remaining balance SR 2.27 million with the Higher Appeal Committee ("HAC") and the HAC's hearing is awaited.

The GAZT raised an assessments for the years from 2014 to 2016 claiming additional zakat liability of SR 204.2 million. The subsidiary has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC") and the PAC's hearing is awaited.

##### *Status of assessments of Saudi Polymers Company*

The subsidiary has filed its zakat and income tax returns with the General Authority of Zakat and Tax (the "GAZT") up to 2017. The assessment for the period ended 31 December 2008 has been finalised with the GAZT with nil liability. The assessments for the years from 2009 through 2017 have not yet been raised by the GAZT.

Zakat base has been computed based on the managements' understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations. The assessments to be raised by the GAZT could be different from the declarations filed by the companies in Saudi Arabia.

##### *Status of assessments of Gulf Polymers Distribution Company FZCO*

The subsidiary registered in the Dubai Airport Free Zone and the subsidiary is exempted from income tax.

#### 16 Capital commitments

The Board of Directors have authorised future capital expenditure amounting to SR 81 million (31 December 2017: SR 105 million) relating to certain expansion projects.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

At 30 June 2018

### 17 Contingencies

During 2010, National Petrochemical Company (a consolidated subsidiary) and the non-controlling partner in Saudi Polymers Company resolved to increase the capital of Saudi Polymers Company (a consolidated subsidiary) by SR 3,394 million, which will cause the non-controlling partner to incur additional costs; the management of National Petrochemical Company has agreed to compensate the non-controlling partner by making annual payments in the future based on the future earnings of Saudi Polymers Company, considering the non-distributable cash as a result of the proposed capital increase.

The Group's banker has issued guarantees, on behalf of the Group, amounting to SR 389 million (31 December 2017: SR 389 million) relating to uplift of feedstock for plant from a supplier.

### 18 Segment information

In respect of performance appraisal and allocation of resources, the Group's management is of the opinion that all activities and operations of the Group comprise one single operating segment, the petrochemical sector. Therefore, financial reports are issued only for geographical segments.

#### *Geographical segments*

Operating assets are located in the Kingdom of Saudi Arabia. The sales are geographically distributed as follows:

	<i>For the period ended 30 June 2018 (un-audited)</i>	<i>For the period ended 30 June 2017 (un-audited)</i>
	%	%
Domestic/Middle East	21	17
Asia	50	50
Europe/Africa	29	33
	<b>100</b>	<b>100</b>

### 19 Subsequent events

On 19 Ramadan 1439H (corresponding to 3 June 2018), the Board of Directors of National Petrochemical Company (a consolidated subsidiary) resolved to re-purchase the issued Sukuk. Subsequent to the period end, the Group re-purchased part of the issued sukuk amounting to SR 122 million.

### 20 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.