YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS
For the three months period ended March 31, 2017
with
INDEPENDENT AUDITORS' REVIEW REPORT

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

The Shareholders
Yanbu Cement Company
(Saudi Joint Stock Company)
Jeddah, Saudi Arabia

Introduction

We have reviewed the accompanying interim consolidated condensed financial statements as at March 31, 2017 of Yanbu Cement Company - a Saudi Joint Stock Company - ("the Company") and its subsidiary (collectively referred to as "the Group") which comprises:

- the consolidated condensed statement of financial position as at March 31, 2017,
- the consolidated condensed statements of profit or loss and other comprehensive income for the three-months period ended March 31, 2017,
- the consolidated condensed statement of changes in equity for the three-months period ended March 31, 2017,
- the consolidated condensed statement of cash flows for the three-months period ended March 31, 2017, and
- the notes to the interim consolidated condensed financial statements.

Management is responsible for the preparation and presentation of these interim consolidated condensed financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim consolidated condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity that is 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 consolidated condensed financial statements as at March 31, 2017 of Yanbu Cement Company and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Shaban 13, 1438H
Corresponding to May 9, 2017

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YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017
Expressed in Saudi Riyals

	Notes	**March 31, 2017 (Unaudited)**	December 31, 2016 (Audited)	January 1, 2016 (Audited)
ASSETS				
Property, plant and equipment	5	**3,143,202,820**	3,170,919,354	3,112,667,935
Non-current assets		**3,143,202,820**	3,170,919,354	3,112,667,935
Inventories	6	**543,225,132**	553,761,509	524,142,584
Due from a related party		**--**	--	323,640
Trade receivables		**161,883,276**	164,345,351	219,612,753
Prepayments and other receivables		**27,109,336**	29,166,348	24,897,276
Cash and cash equivalents	7	**276,315,525**	111,019,255	286,751,264
Current assets		**1,008,533,269**	858,292,463	1,055,727,517
Total assets		**4,151,736,089**	4,029,211,817	4,168,395,452
EQUITY				
Share capital	8	**1,575,000,000**	1,575,000,000	1,575,000,000
Statutory reserve		**787,500,000**	787,500,000	787,500,000
Retained earnings		**1,276,227,597**	1,151,959,454	1,334,815,601
Equity attributable to the shareholders of the company		**3,638,727,597**	3,514,459,454	3,697,315,601
Non-controlling interest		**30,553,328**	31,368,733	31,588,052
Total equity		**3,669,280,925**	3,545,828,187	3,728,903,653
LIABILITIES				
Loans and borrowings	9	**123,468,983**	145,573,415	102,965,448
Employees' benefits	10	**61,727,650**	59,482,118	78,804,207
Non-current liabilities		**185,196,633**	205,055,533	181,769,655
Loans and borrowings	9	**91,319,232**	68,819,627	58,485,846
Trade payables		**21,262,029**	8,445,521	13,246,370
Dividends payable	11	**73,050,379**	73,232,777	70,335,412
Zakat provision	12	**17,842,769**	14,617,769	19,493,633
Accrued expenses and other payables		**93,784,122**	113,212,403	96,160,883
Current liabilities		**297,258,531**	278,328,097	257,722,144
Total liabilities		**482,455,164**	483,383,630	439,491,799
Total equity and liabilities		**4,151,736,089**	4,029,211,817	4,168,395,452

The accompanying notes (1) through (18) form an integral part of these Interim consolidated condensed financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three months period ended March 31, 2017
Expressed in Saudi Riyals

	Notes	**2017**	2016
Revenues		**307,217,820**	399,616,991
Costs of sales		**(175,267,694)**	(199,749,755)
Gross profit		**131,950,126**	199,867,236
Other operating income		**474,627**	296,030
Selling and distribution expenses		**(3,425,796)**	(3,604,830)
Administrative expenses		**(5,902,673)**	(7,722,587)
Operating profit		**123,096,284**	188,835,849
Unrealized gain (losses) on derivative financial instruments		**5,179,095**	(13,180,082)
Finance costs		**(397,641)**	(632,946)
Profit before Zakat		**127,877,738**	175,022,821
Zakat	12	**(3,225,000)**	(4,150,000)
Profit		**124,652,738**	170,872,821
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	10	--	**--**
Other comprehensive income		--	**--**
Total comprehensive income		**124,652,738**	170,872,821
Profit attributable to:			
- Shareholders' of the Company		**124,268,143**	170,689,554
- Non-controlling interest		**384,595**	183,267
		124,652,738	170,872,821
Other Comprehensive income attributable to:			
Shareholders' of the Company		--	**--**
Non-controlling interest		--	**--**
Earnings per share for profit of the period	13		
Basic		0.79	1.08
Diluted		0.79	1.08

The accompanying notes (1) through (18) form an integral part of these interim consolidated condensed financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three months period ended March 31, 2017
Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders					
	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
For the three months ended March 31,2016						
Balance at 1 January 2016	1,575,000,000	787,500,000	1,334,815,601	3,697,315,601	31,588,052	3,728,903,653
Profit for the period	--	--	170,689,554	170,689,554	183,267	170,872,821
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income for the period	--	--	170,689,554	170,689,554	183,267	170,872,821
Dividends paid to non-controlling interest	--	--	--	--	(1,200,000)	(1,200,000)
Balance as at 31 March 2016 (unaudited)	**1,575,000,000**	**787,500,000**	**1,505,505,155**	**3,868,005,155**	**30,571,319**	**3,898,576,474**
For the three months ended March 31,2017						
Balance at 1 January 2017	1,575,000,000	787,500,000	1,151,959,454	3,514,459,454	31,368,733	3,545,828,187
Profit for the period	--	--	124,268,143	124,268,143	384,595	124,652,738
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income for the period	--	--	124,268,143	124,268,143	384,595	124,652,738
Dividends paid to non-controlling interest	--	--	--	--	(1,200,000)	(1,200,000)
Balance as at March 31, 2017 (unaudited)	**1,575,000,000**	**787,500,000**	**1,276,227,597**	**3,638,727,597**	**30,553,328**	**3,669,280,925**

The accompanying notes (1) through (18) form an integral part of these interim consolidated condensed financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three months period ended March 31, 2017
Expressed in Saudi Riyals

	Notes	2017	2016
Operating activities			
Profit for the period		**124,652,738**	170,872,821
Adjustments:			
Depreciation of property, plant and equipment		**56,328,129**	55,695,937
unrealized (gains) / losses on derivative financial instrument		**(5,179,095)**	13,180,082
Amortization of deferred financing charges	9	**395,173**	632,581
Slow moving spare parts provision		**--**	2,960,583
Employees' end of service benefits provision	10	**3,241,299**	4,793,858
Zakat charge for the period	12	**3,225,000**	4,150,000
		182,663,244	252,285,862
Changes in operating assets and liabilities			
Trade receivables		**2,462,075**	36,873,270
Inventories		**10,536,377**	6,765,769
Due from a related party		**--**	323,640
Prepayments and other receivables		**2,057,012**	4,140,130
Trade payables		**12,816,508**	8,530,448
Accrued expenses and other payables		**(14,249,186)**	(37,259,077)
Employees' end of service benefit paid	10	**(995,767)**	(3,536,533)
Zakat paid		**--**	(18,049,235)
Net cash from operating activities		**195,290,263**	250,074,274
Investing activities			
Purchase of property, plant and equipment		**(28,611,595)**	(89,509,780)
Net cash used in investing activities		**(28,611,595)**	(89,509,780)
Financing activities			
Bank facilities obtained		**--**	54,017,141
Dividends paid to shareholders	11	**(182,398)**	(290,862)
Dividends paid to non-controlling interest		**(1,200,000)**	(1,200,000)
Net cash (used in) / from financing activities		**(1,382,398)**	52,526,279
Net change in cash and cash equivalents		**165,296,270**	213,090,773
Cash and cash equivalents at the beginning of the period		**111,019,255**	286,751,264
Cash and cash equivalents at the end of the period		**276,315,525**	499,842,037

The accompanying notes (1) through (18) form an integral part of these Interim consolidated condensed financial statements (unaudited).

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Yanbu Cement Company was established as a Saudi Joint Stock Company ("the Company" and "the Parent Company") incorporated per Royal Decree No. M/10 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Yanbu City under Commercial Registration No. 4700000233 on 21/11/1398H pursuant to Ministry of Industry and Electricity Resolution No. 67/S on 17/3/1396H.

The Company is engaged in the manufacturing of ordinary Portland cement, resistant cement and pozolanic cement.

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as “The Law”) came into force on 25 Rajab 1437H (corresponding to 2 May 2016). The Company has amended its bylaws, to with the provisions of The Law and the amendments have been approved by the shareholders in their general assembly meeting dated 30 April 2017.

The interim consolidated condensed financial statements comprise the financial statements of the parent company and its mentioned below subsidiary (collectively referred to as “the Group”):

Subsidiary’s name	Country of incorporation	Shareholding
Yanbu Saudi Kuwaiti Paper Products Company Limited	Kingdom of Saudi Arabia	60%

The subsidiary is engaged in the manufacturing and wholesale trading of all kinds of cement paper bags.

The Head office of the Company is located at the following address:

Yanbu Cement Company
Al Baghdadiyah Al Gharbiyah District, Jeddah
P. O. Box 5530
Jeddah 21422
Kingdom of Saudi Arabia

2. BASIS OF ACCOUNTING

(a) Statement of compliance

The accompanying interim consolidated condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia. Up to and including the year ended December 31, 2016, the Company prepared and presented statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements.

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

For financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS"). As part of this requirement, the Company has prepared these interim consolidated condensed financial statements. In preparing these interim consolidated condensed financial statements, the Company's opening statement of financial position under IFRS has been prepared as at January 1, 2016, which is the Company's date of transition to IFRS to establish the opening financial position of the Company expected to be presented in the Company's first complete set of IFRS financial statements for the year ending 31 December 2017.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Company needs to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

As these are the Group's first interim consolidated condensed financial statements prepared in accordance with IFRSs, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the previously reported financial position as at January 1, 2016, March 31, 2016 and December 31, 2016; and financial performance and cash flows of the Group for the three months period ended March 31, 2016, and year ended December 31, 2016 is provided in Note 16.

(b) Basis of measurement

These interim consolidated condensed financial statements are prepared under the historical cost basis, except for derivative financial instruments which are stated at fair value, using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

The interim consolidated condensed financial statements are presented in Saudi Arabian Riyals (SR) which is the Group's presentation currency.

(d) Critical accounting estimates and judgments

The preparation of the interim consolidated condensed financial statements requires management to make some estimates and judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (continued)

(d) Critical accounting estimates and judgments (continued)

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 and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the interim consolidated financial statements that are included in the notes:

- *Measurement of defined benefit obligations*
  The Group's obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. Judgments are made in estimating the actuarial assumptions. Key assumptions are given in Note 10.

- *Impairment of trade receivables*
  Impairment test of trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to the original terms of the agreement. The large financial difficulties facing the client, the possibility of the client entering bankruptcy or financial restructuring, the deficit or delay in payment are all indications of objective evidence of impairment in trade receivables. For individual significant amounts, an assessment is made on an individual basis. For significant non-individual amounts, but that are past due, they are assessed collectively and the provision is recognized taking into account the length of time in accordance with previous redemption rates.

- *Provision for inventory obsolescence*
  Management estimates the provision to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the statement of financial position to the extent that they confirm that the circumstances of such events exist as at the end of the financial period.

- 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 or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The interim consolidated condensed financial statements comprise the interim financial statements of the parent company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Company

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except of related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instruments classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized profit or loss.

Subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

Non-controlling interest

NCI are measured at their proportionate share of the acquires’ identifiable net assets at the date of acquisition. changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss are recognized in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(c) Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measure net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Employee benefits

End of service Indemnity

The defined benefit plan is a compensation plan paid to employees after their services are completed. In accordance with the Saudi Labor Law, the Company makes payments to employees upon completion of their services, which are usually based on years of service, salary and termination.

End of service indemnity is determined by actuarial valuation using the projected unit credit actuarial cost method at the end of each financial year. The gain or loss arising from actuarial revaluation is recognized in the statement of comprehensive income for the period in which the revaluation occurred. Re-measurement recognized in comprehensive income is immediately reflected in retained earnings and is not included in profit or loss. The cost of the previous service (past cost) is calculated in profit or loss during the plan adjustment period. Interest is calculated by applying the discount rate at the beginning of the period to the specified employee benefit asset or liability.

Specific benefit costs are classified as follows:

- cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Interest cost and income; and
- Re-measurement.

The current cost of service of the defined benefit plan is recognized in the statement of profit and loss as employee benefit expense, unless it is included in the cost of the asset. Reflecting the increase in the liability of the specific benefits resulting from the employee's service in the current year and the cases of change, reduction and settlement of benefits. Prior service costs are recognized immediately in the statement of profit or loss.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity as other comprehensive income in the period in which they arise.

Short-term employee benefits

Liabilities are recognized and measured for benefits accruing to employees in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for this service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Employee benefits (continued)

Retirement benefit costs

The Group contributes to the retirement benefits of employees in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employees' remuneration. Payments are treated to government-managed pension benefit plans as payments to specific contribution plans as the Company's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

(e) Finance income and finance cost

Finance income comprises interest income on investment amounts which recognized in profit or loss. Interest income is recognised as it accrues in condensed consolidated statement of profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(f) Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi General Authority for Zakat and Tax (“GAZT”). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years’ assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations.

(g) Expenses

Selling and distribution expenses are costs arising from the Group’s efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. Allocation of common expenses between cost of sales, selling and distribution and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in bringing them to their existing location and condition In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. If a significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Major inspections and overhauls are identified and accounted for as a separate component if that component is used over more than one period.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an item of property, plant and equipment (which is the cost of an asset, or other amount substituted for cost, less its residual value) over its useful life.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, except for the paper production machinery of the subsidiary which is depreciated over the production points method. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

The estimated useful lives of assets for the current and comparative period are as follows:

	Years
Factory buildings	25
Paper factory production buildings	30
Buildings and other constructions	40
Berth	20
Machinery and equipment	25
Paper production machinery and equipment	Production units
Vehicles and trucks	4 - 6.67
Furniture and other assets	4 - 6.67

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

(j) Projects under progress

The cost of capital work in progress is calculated based on the actual cost, and shown as capital work in progress under the property, plant and equipment until receiving the project from the Contractor and then transferred to property, plant and equipment and then is depreciated.

(k) Financial assets and financial liabilities

The Group recognizes its financial assets and liabilities in the statement of financial position when - and only when - the Group becomes a party to the contractual provisions of the instrument. A purchase or sale is recognized or derecognised using accounting on a trading date or accounting basis on the settlement date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

A financial asset and a financial liability are offset and the net amount is shown in the statement of financial position only when there is a legally enforceable right to settle the amounts recognized and when there is an intention to settle the assets with the net liabilities for the sale of the assets and the payment of the liability at the same time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets and liabilities (continued)

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

Non-derivative financial liabilities measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets and financial liabilities (continued)

Trade and other payables

Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The Group derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished; that is, when the liability specified in the contract is discharged or canceled or expires.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(l) Share capital

Instruments issued by the Company are classified as equity (Shareholders’ equity) only to the extent that the definition of the asset or liability does not apply. The Company's ordinary shares are classified as equity instruments (Shareholders’ equity).

(m) Statutory reserve

In accordance with the Company's Bylaws, the Company sets aside 10% of its net income in each year to a statutory reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis.
The remaining financial assets are assessed collectively in company that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost is recognized in statement of comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories is reviewed at the statement of financial position date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset company that generates cash flows that largely are independent from other assets and companies. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat / tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each statement of financial position date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group’s management and internal reporting structure.

(q) Dividend distribution

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the general assembly of shareholders.

(r) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4. FINANCIAL RISK MANAGEMENT

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

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, borrowings, accounts payable and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Market risk

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

4. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

	Carrying amount		
	March 31, 2017	December 31, 2016	January 1, 2016
Variable rate instruments			
Loans	**110,749,000**	110,749,000	--
	110,749,000	110,749,000	--

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp decrease	**100 bp increase**
31 March 2017		
Loans	**276,873**	(276,873)
31 December 2016		
Loans	**--**	--

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Company is not exposed to fluctuations in foreign exchange rates during its normal course of business, as the Company's core transactions during the period were denominated in Saudi Riyals and US Dollars. Since the Saudi Riyal is pegged against the US Dollar, there are no significant risks associated with transactions and balances denominated in US Dollars.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers.

The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. In addition, all customers are secured by LCs and LCs in the name of the Company against the outstanding balances, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

4. FINANCIAL RISK MANAGEMENT (continued)

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

	March 31, 2017	December 31, 2016	January 1, 2016
Financial assets			
Trade receivables	**161,883,276**	164,345,351	219,612,753
Bank balances	**276,315,525**	111,019,255	165,296,270
	438,198,801	275,364,606	384,909,023

	March 31, 2017	December 31, 2016	January 1, 2016
Financial assets			
- Secured	**426,136,943**	226,165,972	388,166,503
- Unsecured*	**12,061,858**	9,198,637	3,257,480
	438,198,801	275,364,606	384,909,023

*Un-secured financial assets represent trade receivables balances of subsidiary that did not exceed their maturity date yet.

The aging of trade receivables at the consolidated financial statements date was as follows:

	March 31, 2017		December 31, 2016		January 1, 2016	
	Balance	**Impairment losses**	**Balance**	**Impairment losses**	**Balance**	**Impairment losses**
0-30 days	**38,756,161**	--	50,459,035	--	74,813,446	--
31-60days	**38,916,585**	--	45,717,328	--	72,374,471	--
61-90 days	**45,035,342**	--	38,325,333	--	35,582,336	--
Over 90 days	**39,175,188**	--	29,843,655	--	36,842,500	--
	161,883,276	--	164,345,351	--	219,612,753	--

Trade receivables are due from local customers, 73% as of March 31, 2017 (2016: 65%) of the Group's trade receivables are due from 5 main customers (2016: 5 customers).

4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

The following is the contractual maturities for financial liabilities at the end of the period and represented by growth amounts:

March 31, 2017	1 year or less	1 year to 3 years	3 or more years	Carrying Amount
Non derivative financial liabilities				
Loans and borrowings	**91,319,232**	**79,169,383**	**44,299,600**	**214,788,215**
Trade payables	**21,262,029**	**--**	**--**	**21,262,029**
Accrued and other payables	**93,784,122**	**--**	**--**	**93,784,122**
Dividends payable	**73,050,379**	**--**	**--**	**73,050,379**
	279,415,762	**79,169,383**	**44,299,600**	**402,884,745**
Derivative financial liabilities				
Currency swap contracts	**1,196,509**	**--**	**--**	**1,196,509**

December 31, 2016	1 year or less	1 year to 3 years	3 or more years	Carrying Amount
Non derivative financial liabilities				
Loans and borrowings	68,819,627	145,573,415	--	214,393,042
Trade payables	8,445,521	--	--	8,445,521
Accrued and other payables	113,212,403	--	--	113,212,403
Dividends payable	73,232,777	--	--	73,232,777
	263,710,328	145,573,415	--	409,283,743
Derivative financial liabilities				
Currency swap contracts	6,342,604	--	--	6,342,604

4. FINANCIAL RISK MANAGEMENT (continued)

January 1, 2016	1 year or less	1 year to 3 years	3 or more years	Carrying Amount
Non derivative financial liabilities				
Loans and borrowings	58,485,846	102,965,448	--	161,451,294
Trade payables	13,246,370	--	--	13,246,370
Accrued and other payables	96,160,883	--	--	96,160,883
Dividends payable	70,335,412	--	--	70,335,412
	238,228,511	102,965,448	---	341,193,959

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

Capital risk management

The Group's objective when managing capital is 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 a strong capital base to support the sustained development of its businesses.

The gearing ratio as at March 31, 2017, December 31, 2016, and January 1, 2016 is as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
Total liabilities	**482,455,164**	483,383,630	439,491,799
Less: Cash and cash equivalents	**(276,315,525)**	(111,019,255)	(286,751,264)
Adjusted net debt	**206,139,639**	372,364,375	152,740,535
Total equity	**3,669,280,925**	3,545,828,187	3,728,903,653
Adjusted equity	**3,669,280,925**	3,545,828,187	3,728,903,653
Adjusted net debt to adjusted equity ratio	**0.06**	0.11	0.04

Fair value of assets and liabilities

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The group have not nay assets or liabilities under this level.

- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).the group have foreign currency swap contracts with a bank and recorded under the account trade payables and others amounting SR 1,169,509 as at March 31,2017.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognize by transfer between fair value hierarchies at the end of the report date that the change made. During the period ended March 31, 2017 there is no movement between levels.

Forward exchange contracts

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

5. PROPERTY, PLANT AND EQUIPMENT

a) All the property, plant and equipment of the fifth production line with net book value SR 1.28 billion are mortgaged to Saudi industrial Development fund (SIDF) against long term loan obtained from the SIDF.

b) As at March 31, 2017, capital work in progress amounted to SR 285 million represented power generation unit from waste thermal energy and other civil constructions on the factory. The power generation unit is pledged as a security for the loan obtained from the National Commercial Bank (NCB) (note 9).

c) The cost of property, plant and equipment that are fully depreciated and still in the operation as at March 31, 2017 amounted to SR 1.29 billion (compared to SR. 1.28 billion as at December 31, 2016), the Company's management has reviewed the estimated useful lives of these assets and believes that no adjustment is needed.

6. INVENTORIES

Inventories comprise the following:

	March 31, 2017	December 31, 2016	December 1, 2016
Spare parts	**344,645,912**	346,802,496	348,600,605
Work in progress	**265,512,076**	274,118,456	250,591,711
Raw materials	**30,173,827**	26,598,611	32,952,312
Oil and fuel	**9,986,890**	10,286,035	7,500,506
Packaging materials	**3,167,520**	5,889,013	6,578,679
Other materials	**799,775**	1,127,766	772,747
	654,286,000	664,822,377	646,996,560
Less: Provisions for slow moving spare parts	**(111,060,868)**	(111,060,868)	(122,853,976)
	543,225,132	553,761,509	524,142,584

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	March 31, 2017	December 31, 2016	January 1, 2016
Cash at banks - current accounts	**275,999,982**	110,632,751	284,230,735
Cheques under collection	**224,760**	224,760	2,296,000
Cash in hand	**90,783**	161,744	224,529
	276,315,525	111,019,255	286,751,264

8. SHARE CAPITAL

As at March 31, 2017, the Authorized, issued and paid up share capital of the Company was SR 1,575 billion (2016: SR 1,575 billion) divided into 157.5 million shares (2016: 157.5 million shares) of SR 10 for each (2016: SR 10).

9. LOANS AND BORROWINGS

Loans and borrowings at 31 March comprise the following:

	Note	**March 31, 2017**	December 31, 2016	January 1, 2016
Saudi Industrial Development Fund (SIDF)	(9.1)	**104,039,215**	103,644,042	161,451,294
National Commercial Bank loans	(9.2)	**110,749,000**	110,749,000	--
		214,788,215	214,393,042	161,451,294

Loans and borrowings are presented in the condensed consolidated statement of financial position as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
Current portion presented under current liabilities	**91,319,232**	68,819,627	58,485,846
Non-current portion presented under non-current liabilities	**123,468,983**	145,573,415	102,965,448
	214,788,215	214,393,042	161,451,294

9.1 Saudi Industrial Development Fund loan:

- On June 7, 2010, The Company obtained a loan from Saudi Industrial Development Fund (SIDF) to finance the construction of the fifth production line “the project”. The total outstanding balance as of March 31, 2017 amounted to SR 105 million from the total approved loan amount of SR 300 million out of which an amount of SR 22.5 million is deducted as industrial evaluation costs. The loan is repayable over 6 years in semiannual installments starting from 28 December 2012. The loan is secured by a mortgage of Property, plant and equipment of fifth production line. The loan agreement contains covenants and certain financial ratios to be maintained.

- Part of the industrial evaluation costs amounting to SR 4.9 million has been capitalized as a part of project cost which related to the period from obtaining the loan until the completion of the project on March 31, 2012. The remaining balance amounting to SR 17.6 million were classified as deferred financing costs and will be amortized over the loan period ending April 30, 2018, and thus. The portion which has been charged to the income statement for the period ended March 31, 2017 from these costs amounting to SR 0.395 million (31 March 2016: SR 0.632 million).

9. LONG TERM LOANS (continued)

9.1 Saudi Industrial Development Fund loan (continued):

The SIDF loan balance as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
Total loan	**105,000,000**	105,000,000	165,000,000
Less: Deferred finance charges	**(960,785)**	(1,355,958)	(3,548,706)
	104,039,215	103,644,042	161,451,294

9.2 National Commercial Bank loans:

- During the year 2015, the company entered into new bank facilities agreements with maximum limit of 9.3 to SR 250 million with the National Commercial Bank to finance the project of generation of electric power from thermal energy wastes. As at March 31, 2017, the Company used SR110.7 million of the facility.the facility is repayable over sixty monthly installments starting from April 2017 and ending on April 2022. The loan is charged with interest rate of SIBOR plus 0.75% .the total project of the generation of electric power for thermal waste is used as a pledge to secure the loan.

- The aggregate maturities of non-current borrowings are as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
2017	**--**	--	68,141,033
2018	**57,019,583**	79,124,015	34,824,415
2019 and beyond	**66,449,400**	66,449,400	**--**
Total	**123,468,983**	145,573,042	102,965,448

10. EMPLOYEE BENEFITS

a) General description of a defined benefit plan for employees:

The Group is required by law to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law. The benefit of the end of service benefit equals half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year. Entitlement factors are applied in cases of resignation. The end of service bonus plan is unfunded**.**

b) Evaluation Methodology and Key Assumptions for the Actuarial Study:

In compliance with the requirements of IAS 19 “Employee Benefits”, the projected unit of credit method has been used to determine plan liabilities. Under this method, the expected cost of the benefit is calculated for each benefit to which the plan members who are on the job are entitled. The expected cost of the benefit depends on the eligibility formula and the length of service at the valuation date and the benefit is calculated based on the last salary expected to be received by the employee at the retirement age. The plan's liabilities are the current actuarial value of the accrued benefits expected to all employees who are on their business at the date of valuation.

c) The valuation is prepared by an independent external actuarial using the following key assumptions:

- Discount rate – 3.5% annually (1 January 2016: 5% annually).
- Salary increase rate 3% - annually (1 January 2016: 5% annually)

d) The movement in the benefit liabilities specified in the end of service plan is as follows**:**

	March 31, 2017	December 31, 2016	January 1, 2016
Present value of the defined benefit liabilities as of 1 January	**59,482,118**	78,804,207	65,672,364
Components of current period expenses charged to the statement of profit or loss:			
Cost of the current service	**3,241,299**	7,195,900	6,873,027
Interest cost	**--**	3,759,099	3,338,890
Total expenses charged to the statement of profit or loss	**3,241,299**	10,954,999	10,211,917
Other comprehensive income items:			
Re-measurements of defined benefit liability	**--**	1,414,457	7,582,060
Actual benefits paid during the period /year	**(995,767)**	(31,691,545)	(4,662,134)
Present value of the defined benefit liabilities	**61,727,650**	59,482,118	78,804,207

11. DIVIDENDS PAYABLE

The movement in the dividends payable is as follows:

	Note	**March 31, 2017**	December 31, 2016	January 1, 2016
Balance at the beginning of the period/year		**73,232,777**	70,335,412	68,206,220
Dividends declared during the period /year	1-11	**--**	708,750,000	630,000,000
Dividends paid during the period /year		**(182,398)**	(705,852,635)	(627,870,808)
Balance as of December 31		**73,050,379**	73,232,777	70,335,412

11-1 Subsequent to the financial statements date, The Ordinary General Assembly meeting number held on Sunday April 30th, 2017, has approved to distribute dividends for the second half for the year 2016 amounting to SR 315 million based on SR 2 per share representing 20% of the Capital.

12. ZAKAT

The movement in Zakat represented as follow:

	March 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the period /year	**14.617.769**	19.493.633	21,554,516
charge for the period /year	**3,225,000**	14.337.699	15,475,241
Paid during the period /year	**--**	(19.213.563)	(17,536,124)
Balance at the end of the period/year	**17,842,769**	14.617.769	19,493,633

Yanbu Cement Company (Parent Company)
Zakat assessment has been finalized with the General Authority for Zakat and Income Tax (GAZT) till the year ended December 31, 2011. The Company has filed its Zakat returns for the years from 2012 to 2016. GAZT has made a field inspection for the years 2012 and 2013 and the Company received an assessment for the years 2012 and 2013 claiming a Zakat amount of SAR 506 thousand and withholding tax of SAR 257,228, the Company has filed an objection against this assessment.

12. ZAKAT (continued)

Yanbu Saudi Kuwaiti Paper Products Company (Subsidiary)
Zakat assessment has been finalized with GAZT for the years up to December 31, 2008. The Company has filed its zakat returns for the years from December 31, 2009 until 2014. GAZT made a field inspection for these years resulted in claiming zakat differences by an amount of SR 689 thousand and differences for withholding tax by the amount of SR 246 thousand and delay penalties by the amount of SR 77 thousand. The Company has paid the withholding tax and the related penalties and filed an objection amounted to SR 645 and replied to the enquiries of GAZT in relation to specific matter. The Company received an updated assessment from GAZT on Rajab 7, 1437H corresponding to April 13, 2016 with differences of SR 357,224 which the subsidiary had also objected and filed an objection on June 19, 2016 and is still waiting for the reply from GAZT and the updated assessment.

The Company has filed its Zakat returns for the year 2015 and 2016 and still waiting for GAZT assessment.

13. EARNINGS PER SHARE

a) Basic

The calculation of basic earnings per share is calculated based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding amounting to 157.5 million shares.

b) Diluted

The calculation of diluted earnings per share is calculated based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjusting the deduction effect for ordinary shares.

During the period probable there are no diluted shares therefore the diluted earnings per share no differ from the basic earnings per share.

14. CAPITAL COMMITMENTS AND CONTINGENCIES

a) As of March 31, 2017 the capital commitments relating to projects under construction amounted to SR 11.7 million (December 31, 2016: SR 25.7million) (January 1, 2016: SR 215 million).

b) As of March 31, 2017 the contingent liabilities against Banks letter of guarantees issued on behalf of the Group amounted to SR 20.3 million (December 31, 2016: SR 20,3million) (January 1, 2016: SR 10.1 million) and contingent liabilities letter of credits by the amount of SR nil million without security margin paid against it (December 31, 2016: SR 2.4 million) (2015: amount of SR 104 million without security margin paid against it).

15. SEGMENT INFORMATION

The Company has one operating segment represented in the production of Cement. Company's principal operations are only within the Kingdom of Saudi Arabia; therefore, financial information has not been segmented into various business or geographical segments. Subsidiary's financial information are not significant for Group financial statements for segment reporting purposes.

16. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Group's first interim consolidated condensed financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim consolidated condensed financial statements for the three months ended March 31, 2017, the comparative information presented in these interim consolidated condensed financial statements for both the year ended 31 December 2016 and in the preparation of an opening IFRS statement of financial position at 1 January 2016 (the date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants SOCPA (previously generally accepted accounting standards "SOCPA"). An explanation of how the transition from previous SOCPA to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

16. EXPLANATION OF TRANSITION TO IFRS (continued)

The effect of transition on the Group's statement of financial position as at 1 January 2016 (date of transition to IFRS)

	Note	SOCPA	Re-Measurement	January 1,2016 IFRS
ASSETS				
Property, plant and equipment	16-5	3,106,371,356	6,296,579	3,112,667,935
Non-current assets		3,106,371,356	6,296,579	3,112,667,935
Inventories	16-5	528,851,919	(4,709,335)	524,142,584
Due from a related party		--	--	323,640
Trade receivables		219,936,393	--	219,612,753
Prepayments and other receivables		24,897,276	--	24,897,276
Cash and cash equivalents		286,751,264	--	286,751,264
		1,060,436,852	(4,709,335)	1,055,727,517
Total assets		4,166,808,208	1,587,244	4,168,395,452
EQUITY				
Share capital		1,575,000,000	--	1,575,000,000
Statutory reserve		787,500,000	--	787,500,000
Retained earnings		1,340,904,011	(6,088,410)	1,334,815,601
Equity Attributable to the Company's shareholders		3,703,404,011	(6,088,410)	3,697,315,601
Non-controlling interest		31,732,156	(144,104)	31,588,052
Total equity	16-8	3,735,136,167	(6,232,514)	3,728,903,653
LIABILITIES				
Loans and borrowings	16-4	101,139,000	1,826,448	102,965,448
Employees' benefits	16-1	74,188,743	4,615,464	78,804,207
Non-current liabilities		175,327,743	6,441,912	181,769,655
Loans and borrowings	16-4	57,108,000	1,377,846	58,485,846
Trade payables		13,246,370	--	13,246,370
Dividends payable		70,335,412	--	70,335,412
Zakat provision		19,493,633	--	19,493,633
Accrued expenses and other payables		96,160,883	--	96,160,883
Current liabilities		256,344,298	1,377,846	257,722,144
Total liabilities		431,672,041	7,819,758	439,491,799
Total equity and liabilities		4,166,808,208	1,587,244	4,168,395,452

16. EXPLANATION OF TRANSITION TO IFRS (continued)

The effect of transition on the Group's statement of financial position as at 31 December 2016 is as follows:

	Note	SOCPA	Re-Measurement	December 31,2016 IFRSs
ASSETS				
Property, plant and equipment	16-5	3,165,369,982	5,549,372	3,170,919,354
Non-current assets		3,165,369,982	5,549,372	3,170,919,354
Inventories	16-5	558,470,844	(4,709,335)	553,761,509
Trade receivables		164,345,351	--	164,345,351
Prepayments and other receivables		29,166,348	--	29,166,348
Cash and cash equivalents		111,019,255	--	111,019,255
Current assets		863,001,798	(4,709,335)	858,292,463
Total assets		4,028,371,780	840,037	4,029,211,817
EQUITY				
Share capital		1,575,000,000	--	1,575,000,000
Statutory reserve		787,500,000	--	787,500,000
Retained earnings		1,165,455,395	(13,495,941)	1,151,959,454
Equity Attributable to the Company's shareholders		3,527,955,395	(13,495,941)	3,514,459,454
Non-controlling interest		31,435,941	(67,208)	31,368,733
Total equity	16-8	3,559,391,336	(13,563,149)	3,545,828,187
LIABILITIES				
Loans and borrowings		144,780,000	793,415	145,573,415
Employees' benefits	16-2	53,926,578	5,555,540	59,482,118
Non-current liabilities		198,706,578	6,348,955	205,055,533
Loans and borrowings	16-4	67,108,000	1,711,627	68,819,627
Trade payables		8,445,521	--	8,445,521
Dividends payable		73,232,777	--	73,232,777
Zakat provision		14,617,769	--	14,617,769
Accrued expenses and other payables	16-6	106,869,799	6,342,604	113,212,403
Current liabilities		270,273,866	8,054,231	278,328,097
Total liabilities		468,980,444	14,403,186	483,383,630
Total equity and liabilities		4,028,371,780	840,037	4,029,211,817

16. EXPLANATION OF TRANSITION TO IFRS (continued)

The effect of transition on the Group's statement of financial position as at March 31, 2016 is as follows:

	Note	SOCPA	Re-Measurement	March 31,2016 IFRSs
ASSETS				
Property, plant and equipment	16-5	3,140,372,002	6,109,776	3,146,481,778
Non-current assets		3,140,372,002	6,109,776	3,146,481,778
Inventories	16-5	519,125,567	(4,709,335)	514,416,232
Trade receivables		182,739,483	--	182,739,483
Prepayments and other receivables		20,757,146	--	20,757,146
Cash and cash equivalents		499,842,037	--	499,842,037
Current assets		1,222,464,233	(4,709,335)	1,217,754,898
Total assets		4,362,836,235	1,400,441	4,364,236,676
EQUITY				
Share capital		1,575,000,000	--	1,575,000,000
Statutory reserve		787,500,000	--	787,500,000
Retained earnings		1,524,870,033	(19,364,878)	1,505,505,155
Equity Attributable to the Company's shareholders		3,887,370,033	(19,364,878)	3,868,005,155
Non-controlling interest		30,715,422	(144,103)	30,571,319
Total equity	16-8	3,918,085,455	(19,508,981)	3,898,576,474
LIABILITIES				
Loans and borrowings	16-4	155,879,141	2,177,214	158,056,355
Employees' benefits	16-3	75,446,067	4,615,465	80,061,532
Non-current liabilities		231,325,208	6,792,679	238,117,887
Loans and borrowings	16-4	57,108,000	936,661	58,044,661
Trade payables		21,776,818	--	70,044,550
Dividends payable		70,044,550	--	72,081,888
Zakat provision		5,594,398	--	5,594,398
Accrued expenses and other payable	16-6	58,901,806	13,180,082	21,776,818
Current liabilities		213,425,572	14,116,743	227,542,315
Total liabilities		444,750,780	20,909,422	465,660,202
Total equity and liabilities		4,362,836,235	1,400,441	4,364,236,676

16. EXPLANATION OF TRANSITION TO IFRS (continued)

The effect of transition on the Group's statement of profit or losses and other comprehensive income as at 31 March 2016 is as follows:

	Note	SOCPA	Re-Measurement	IFRS
Revenue		399,616,991	--	399,616,991
Costs of sales		(199,562,953)	(186,802)	(199,749,755)
Gross profit		200,054,038	(186,802)	199,867,236
Other operating income		296,030	--	296,030
Selling and distribution expenses		(3,604,830)	--	(3,604,830)
Administrative expenses		(7,722,587)	--	(7,722,587)
Operating profit		189,022,651	(186,802)	188,835,849
Unrealized losses on derivative financial instrument	16-6	--	13,180,082	(13,180,082)
Finance charges		(723,364)	90,418	(632,946)
Profit before Zakat		188,299,287	(13,276,466)	175,022,821
Zakat		(4,150,000)	--	(4,150,000)
Profit		184,149,287	(13,276,466)	170,872,821
Other comprehensive income				
Items that will not be reclassed to profit or loss:				
Re-measurement of defined benefits and liabilities		--	--	--
Total other comprehensive income		--	--	--
Total comprehensive income		184,149,287	(13,276,466)	170,872,821
Other comprehensive income attributable to:				
Shareholders' of the Parent Company		--	--	--
Non-controlling interest's share of profit in subsidiaries		--	--	--
		--	--	--
Profit attributable to:				
Shareholders' of the Parent Company		183,966,020	(13,276,466)	170,872,821
Non-controlling interest's share of profit in subsidiaries		183,267	--	183,267
Total comprehensive income		184,149,287	(13,276,466)	170,872,821
Basic earnings per share:				
Basic		1,17		1.08
Diluted		1.17		1.08

16. EXPLANATION OF TRANSITION TO IFRS (continued)

The effect of transition on the Group's statement of profit or losses and other comprehensive income as at 31 December 2016.

	Note	SOCPA	Re-Measurement	IFRS
Revenue		1,286,292,434	--	1,286,292,434
Costs of sales		(671,831,280)	1,046,755	(670,784,525)
Gross profit		614,461,154	1,046,755	615,507,909
Other operating income		7,331,376	--	7,331,376
Selling and distribution expenses		(12,289,360)	23,720	(12,265,640)
Administrative expenses		(29,951,479)	71,157	(29,880,322)
Operating profit		579,551,691	1,141,632	580,693,323
Early retirement settlement expenses		(23,117,729)	--	(23,117,729)
Unrealized losses on derivative financial instrument	16-6	--	(6,342,604)	(6,342,604)
Board of directors remuneration	16-7	--	(2,200,000)	(2,200,000)
Finance charges		(5,691,094)	699,252	(4,991,842)
Profit before Zakat		550,742,868	(6,701,721)	544,041,147
Zakat		(14,337,699)	--	(14,337,699)
Profit		536,405,169	(6,701,721)	529,703,448
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Re-measurements of defined benefit liability		--	(1,414,457)	(1,414,457)
Total other comprehensive income		--	(1,414,457)	(1,414,457)
Total comprehensive income		536,405,169	(8,116,178)	528,288,991
Profit attributable to:				
Shareholders' of the Parent Company		535,501,384	(6,778,617)	528,772,767
Non-controlling interest's share of profit in subsidiaries		903,785	76,896	980,681
Total comprehensive income		536,405.169	(6,701,721)	529,703,448
Other comprehensive income attributable to:				
Shareholders' of the Parent Company		--	(1,523,618)	(1,523,618)
Non-controlling interest's share of profit in subsidiaries		--	109,161	109,161
		--	(1,414,457)	(1,414,457)
Earnings per share:				
Basic		3.40		3.36
diluted		3.40		3.36

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Notes to the reconciliations

The effects of transition to IFRS can be summarized as follows:

16-1 SR 4,615,464 represents the difference between the provision for end of service benefits calculated in accordance with the Saudi Labor Law in Saudi Arabia amounting to SR 74,188,743 as presented in the audited financial statements of the Company as at 31 December 2015 and the defined benefits liabilities as stated in the report of the actuary in accordance with International Accounting Standard (19) ("Employee Benefits") on the same date with a balance of SR 78,804,207 which was settled in the retained earnings as at 1 January 2016.

16-2 SR 5,555,540 represents the difference between the provision for end of service benefits calculated in accordance with the Saudi Labor Law in Saudi Arabia amounting to SR 53,926,578 as presented in the reviewed financial statements of the Company as at 31 December 2016 and the defined benefits liabilities as stated in the report of the actuary in accordance with International Accounting Standard (19) ("Employee Benefits") at the same date, with a balance of SAR 59,482,118.

16-3 SR 4,615,464 represents the difference between the provision for end of service benefits calculated in accordance with the Saudi Labor Law in Saudi Arabia amounting to SR 75,446,067 as presented in the reviewed financial statements of the Company as at 31 March 2016 and the defined benefits liabilities as stated in the report of the actuary in accordance with International Accounting Standard (19) ("Employee Benefits") on the same date with a balance of SR 80,061,532.

16-4 Recalculating the present value of the long-term loan using the effective interest rate resulting in a decrease in the deferred interest cost. The effect amounted to SR 2,505,042 (January 1, 2016: SR 3,204,294) (Note 9), (March 31, 2016 :SR 3,113,875).

16-5 Re-classification of strategic spare parts from the inventory to the property, plant and equipment and the calculation of the related accumulated depreciation and reversal of the related slow moving provision for the items transferred. The net effect on the retained earnings amounted to SR 840,037 (January 1, 2016: SR1,587,244),(March 31,2016 :SR 1,400,441) (Notes 5 and 6).

16-6 During 2017, the Company discovered that they had Currency Swap Forward contracts that they did not account for during 2016, and that were immaterial in value, accordingly management has decided to correct the error and restate the financial statements as at 31 March 2017 and account for these contracts. The effect on 31 December 2016 financial statements was SR 6,342,604 and on March 2016 was SR 13,180,082.

16-7 In prior years to the date of transition, the Company recognized directors' remuneration directly in equity when approved by the General Assembly of Shareholders. After conversion from previously recognized standards to IFRS, the Company has to include these amounts in the profit or loss statement. as these amounts are paid to the directors not as they shareholders and therefore not included as transactions with shareholders in equity. There is no impact on retained earnings and total equity for the year ended 31 December 2016 after the transition to IFRS.

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Notes to the reconciliations (continued)

16-8 The effect on total equity as at 1 January 2016, 31 December 2016 is as follows:

	Effect on retained earnings Increase (decrease)
	(SR)
Effect on total equity as at 1 January 2016:	
Total equity according to previous GAAP	3,735,136,167
Re measurement of defined benefits liabilities (note 16-1)	(4,615,464)
Re-classification of strategic spare parts to property, plant and equipment (note16-5)	1,587,244
Impact of Effective interest rate for long term loans (note16-4)	(3,204,294)
Net decrease in total equity as at 1 January 2016	(6,232,514)
Total equity according to IFRS	3,728,903,653
Effect on total equity as at March31, 2016:	
Total equity according to previous GAAP	3,918,085,455
Re measurement of defined benefits liabilities (note 16-3)	(4,615,465)
Re-classification of strategic spare parts to property, plant and equipment (note16-5)	1,400,441
Impact of Effective interest rate for long term loans (note16-4)	(3,113,875)
Unrealized losses on derivative financial instrument (note 16-6)	(13,180,082)
Net decrease in total equity as at 31 March 2016	(19,508,981)
Total equity according to IFRS	3,898,576,474
Effect on total equity as at 31 December 2016:	
Total equity according to previous GAAP	3,559,391,336
Re measurement of defined benefits liabilities (note 16-2)	(5,555,540)
Re-classification of strategic spare parts to property, plant and equipment (note16-5)	840,037
Impact of Effective interest rate for long term loans (note16-4)	(2,505,042)
Unrealized losses on derivative financial instrument (note 16-6)	(6,342,604)
Net decrease in total equity as at 31 December 2016	(13,563,149)
Total equity according to IFRS	3,545,828,187

17. NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

The list of new standards and adjustments for adjusted standards for the year start from 1 January 2018 with waiver by early application and the Group still not apply in preparation of this financial statements as follows:

a) Standards issued but not yet effective

i. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. There is not going to be a significant impact on the Group's revenue recognition policy.

ii. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

17. NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

ii. IFRS 9 Financial Instruments (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

17. NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

ii. IFRS 9 Financial Instruments (continued)

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

- New hedge accounting requirements should generally be applied prospectively. However, the Group may elect to apply the expected change in accounting for forward points retrospectively.

iii. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

17. NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

iii. IFRS 16 Leases (continued)

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

iv. Annual Improvements to IFRSs 2014–2016 Cycle

IFRS 1 First-time Adoption of IFRS- Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.

IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

17. NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

v. Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's consolidated financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

It is not possible to provide a reasonable estimate of the effects of adoption of these standards until it is reasonably estimated after a detailed review by the Group. The Group is assessing the impact of these standards on its business results and financial position in case of application.

18. APPROVAL OF THE FINANCIAL STATEMENTS

These interim consolidated condensed financial statements were approved for issuance by the Audit Committee on behalf of the Board of Directors on Shaban 13,1438H, corresponding to May 9, 2017.