Sahara International Petrochemical Company (Sipchem)

GOING BEYOND

ANNUAL REPORT 2020

Sahara International Petrochemical Company (Sipchem)

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بسم الله الرحمن الرحيم

In The Name of Allah the Most Compassionate, the Most Merciful

VISION رؤيـــة
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

"Since the announcement of our wise government, under the leadership of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and His Royal Highness Prince Mohammed bin Salman Al Saud, The Crown Prince, Deputy Prime Minister and Minister of Defense, the Transition Program 2020 and the vision of the Kingdom of Saudi Arabia 2030, Sipchem has been working in a fast pace to keep abreast of the Kingdom's economic development and its direction of promoting sustainable economic resources in the interests of the nation, which will result in diversification of its investments and the excellence of its products supported by the researches conducted through its scientific research centre"

The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud
King of the Kingdom of Saudi Arabia

His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister and Minister of Defense

Corporate Profile

Sahara International Petrochemical Company (Sipchem) is one of the world's leading petrochemical companies with over 35 years of combined operating history, market presence in more than 40 countries and total assets of SAR 21.8 bn.

Sipchem produces a wide range of products from basic chemicals and polymers to specialty chemicals. Our products reach millions of consumers every day in more than 100 countries around the world.

Sipchem is a globally recognized chemical manufacturer based in Saudi Arabia, headquartered in Riyadh and maintains a corporate office in Khobar. Our main industrial complex is in Jubail Industrial City. Based in Khobar, Sipchem Marketing Company (SMC), a wholly owned Sipchem company, which functions independently and supports the sales and marketing of Sipchem products. It has offices in Switzerland, Singapore and Saudi Arabia. SMC endeavors to utilize the most sophisticated marketing techniques to ensure delivery of quality products to customers located throughout the world. Today, SMC has a strong, growing and diversified product portfolio and markets over 75% of its total merchant volumes globally.

To enhance our global competitiveness, we also operate a technology and innovation center, Manar, dedicated to research and development in the Dhahran Techno Valley.

Our Journey

The formation of Sahara International Petrochemical Company after the multibillion-dollar merger, brought together 35 years of combined operating experience, creating a diversified petrochemical portfolio across 24 affliates and subsidiaries. The merger has unlocked value, effciency, viability, resiliency, and created an integrated petrochemical leader in Saudi Arabia.

This merger contributes to the Saudi Vision 2030's objective of creating a thriving private sector in KSA.

Exceptional workforce

We believe that our exceptional workforce empowers Sipchem, and that further investment in our company's human capital will ensure that we remain a pillar of the Kingdom's social and economic development for decades to come.

Vision

To be a recognized leader in growth, excellence and partnerships in the chemicals industry.

Mission

To continuously create value through sustainable, innovative and quality products relying on our growing capabilities and motivated employees.

Values

Passion

At Sipchem, we live 'on purpose', we work 'on purpose'. What we do effects the world in thousands of positive ways, making everyday enormous.

Courage

Having the courage of our convictions means we must forever challenge assumptions if we are to make real progress in the world. Standing up to be counted makes us feel alive as it brings us closer to new dimensions in logic and new parameters of possibility.

Higher Efficiencies

Instinctively, we are resourceful people. We value assets by applying them resourcefully: our energy, our finances, our acquired knowledge and the wisdom we generate together.

Momentum

While one person can create an idea, it takes teams to generate movement. By working within close teams we value the spirit of collaboration, both internally and with our partners.
Our size and strength enables reinvestments in our capabilities, in our learning and by constantly growing our goals we see originality emerge.

Operational Highlights

Diversified growing product portfolio

Our wide range of products reach millions of consumers every day in more than 100 countries around the globe.

75%

of our total merchant volumes are exported globally.

Effective employee engagement

Our people propel our success, which is why recruiting, developing and retaining a high caliber workforce is a constant priority.

79%

of our workforce consists of higlyh trained Saudi Nationals.

Visionary community programme

Positively impacting the lives of under-privileged children and families through a dynamic range of initiatives across the Kingdom.

1.0%

of our total net profit is allocated to community development.

Conscious of our environmental obligations

We are committed to improving our environmental performance and safeguarding the health and safety of our employees, and the surrounding communities where we operate.

23,500

health and safety training hours were conducted during 2020.

Financial Highlights

In 2020, Sipchem's existing manufacturing facilities produced 4.013 million metric tons. Net income amounted to SAR 176 Million in 2020 compared with SAR 299.5 Million in 2019 with a decrease of 41.3. Reason of declining profits of the Company during this year compared to the previous year is attributed to decline of sales revenues as a result of the low prices of most of Sipchem's products, and the decrease in production at the polypropylene plant due to unplanned shutdown and regular maintenance.

Net profit
Million Saudi Riyal
176

Gross Revenue
Million Saudi Riyal
5,323

Shareholders' Equity
Million Saudi Riyal
12,987

Earnings per share
Saudi Riyal
0.24

Chairman's Statement

Sipchem adopted a special strategy to deal with unprecedented circumstances, placing the safety of all of our employees as a top priority, while ensuring business progress through more flexible management methods

Dear Shareholders of Sahara International Petrochemical Company (Sipchem)

May Peace, Mercy and Blessings of Allah be upon you,

In 2020, global markets experienced economic volatility caused by the Coronavirus pandemic, which ultimately overshadowed supply-chain disruptions and a slowdown in global trade that directly affected the global economy's contraction by nearly -5%, according to the World Bank.

The petrochemical sector in KSA was not immune to these challenges, which made it necessary for Sipchem to adopt a special strategy to deal with these unprecedented circumstances, placing the safety of all of our employees as a top priority, while ensuring business progress through more flexible management methods to deal with these emergency situations. These efforts and accumulated experience contributed to the continuation of operations and production with the utmost efficiency to achieve Sipchem's vision and objectives.

In spite of the aforementioned economic challenges and circumstances, the Board of Directors recommends the distribution of interim cash profits of 5% of Sipchem's capital for 2020, in order to preserve the aspirations of investors, and based on the great interest that Sipchem gives to its shareholders.

On behalf of my fellow Board Members, I am pleased to report to you on the performance and efforts of Sahara International Petrochemical Company for the year ended December 31, 2020.

I would like to take this opportunity to express on my own behalf and on behalf of the Board of Directors deepest thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and HRH Crown Prince Mohammed bin Salman, for harnessing the potential for the benefit of this blessed country and its people.

The Board of Directors also would like to express deepest thanks to all shareholders for their trust and continued keenness on Sipchem's continued success. We also commend the sincere efforts of the Executive Management and all employees at all levels who worked as a team despite all the circumstances and challenges to achieve outstanding achievements and performance.

Eng. Khalid A. Al-Zamil
Chairman

Board of Directors

Eng. Khalid A. Al-Zamil
Chairman of the Board

Mr. Fahad S. Al-Rajhi
Vice Chairman

Eng. Yousef A. Al-Zamil
Board Member

Eng. Reyadh S. Ahmed
Board Member

Mr. Saeed A. Basamah
Board Member

Dr. Abdulrahman A. Al-Zamil
Board Member

Mr. Ayidh M. Al-Qarni
Board Member

Mr. Saeed O. Al-Esayi
Board Member

Mr. Ziad A. Al-Turki
Board Member

Mr. Bandr A. Masoudi
Board Member

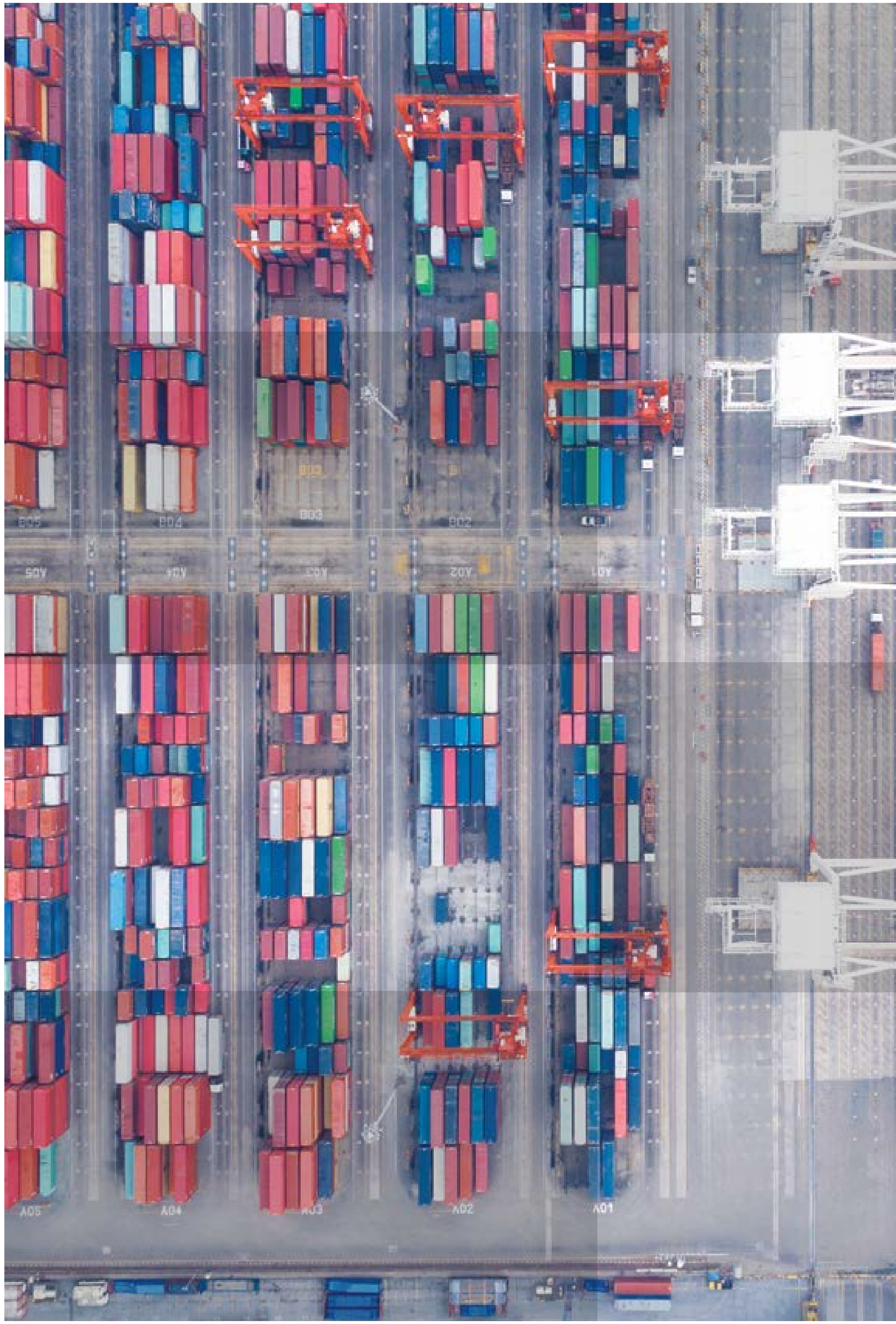
Mr. Abdulaziz A. bin Dayel
Board Member

BIGGER ASPIRATIONS

At Sipchem, our vision is to be a global leader in sustainable business within the petrochemical sector. We grow our capability and reach by constantly pushing the boundaries that inspire, enhance and sustain excellence.

+52 Countries Worldwide

Our ever-growing portfolio of products reaches millions of consumers daily. Sipchem's trade mark is registered in more than 100 countries and is a strong demonstration of our capabilities. We are proud of establishing the reputation of operational excellence in delivering world class products and services.




سبكيم
Sipchem

BOLDER STRATEGIES

Through the integration, Sipchem has increased the scale of its operations and resilience to market trends to meet customer needs. With an expanded raw material supplies & diversified product portfolio, efficiencies and integrated capabilities, Sipchem is poised to seize new opportunities and enhance our operations to improve its global competitiveness.

+20 diversified product mix

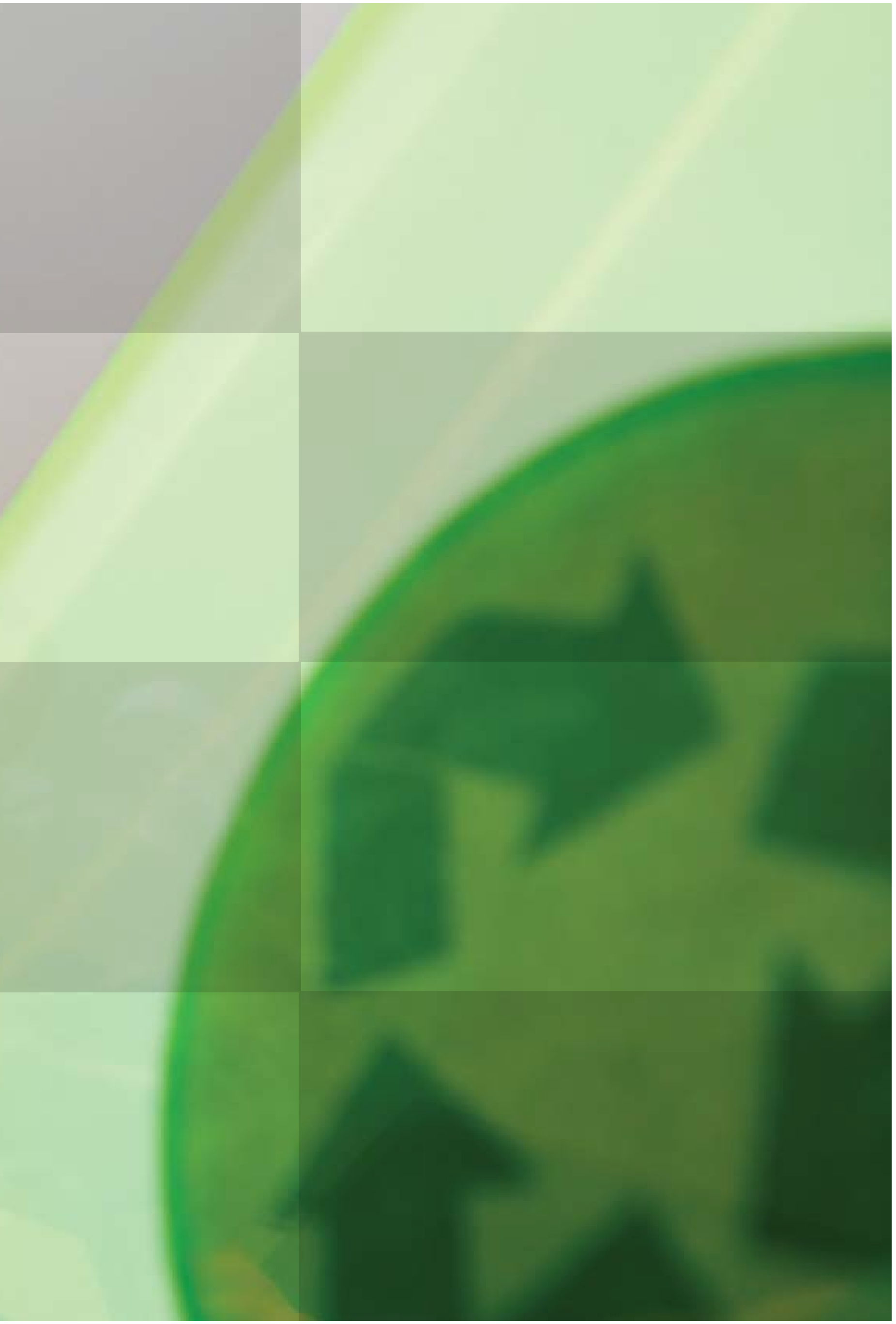
At Sipchem, we believe in challenging assumptions every day to discover and develop responsible solutions, enhancing the quality of life for generations to come. To make this vision a reality, we are actively growing our capability and reach by constantly pushing the boundaries that inspire, enhance, and sustain excellence.

CENTRIC PROCESSES

Since the merger in May 2019, we have focused on core competencies, delivery of synergies, integration management, and managing people, culture and change. It is our goal that through sustained, effective change management, we will unlock synergy value and build a winning culture.

+300 global customers

Sipchem is classed as one of the world's leading producers of methanol and butanediol. Sipchem is also one of the principal suppliers of tetrahydrofuran and other specialty chemicals. Recently, Sipchem has expanded its product range by producing gamma-butyrolactone. All these products are vital in the manufacture of thousands of consumer and industrial products.



GROWING RESPONSIBLY

Sipchem seeks to create shared value, for the business and its stakeholders, by integrating sustainability in our daily operations and practices while aiming to set better standards across our sustainability pillars. This is at the heart of what sustainability means to Sipchem and it guides our actions as we strive to be a responsible company.

As a major petrochemical producer in Saudi Arabia, we will continue to support and contribute to local and national economic growth and Vision 2030 KSA has been increasingly focused on economic diversification to create 'a thriving economy' under its vision. Sipchem has made it a business priority to drive diversified economic value in support of national objectives through expanding our integrated production capabilities and diversifying our production portfolio.

Social Responsibility

Despite the harsh and difficult conditions that threatened the world during 2020, Sipchem continued its active role and responsibility towards society, as our contributions covered more than 76% of the Kingdom's area.

- During the year, we focused our efforts on specific areas that reflect our interests in serving the community, in the field of health care and during the Corona pandemic we funded Health Endowment Fund established by the Ministry of Health, as well as providing specialized medical equipment in air purification for hospitals in the Eastern Province. Also, we have sponsored medical programs as well as launching a Internal and external awareness and educational campaigns on combating the Corona virus, benefiting more than 7,000 people.
- As for social and charitable solidarity, our programs included sponsoring Qur'an memorization society and sponsoring 300 health insurance policies for 300 orphans and widows throughout the Kingdom of Saudi Arabia.
- We have signed a community-based social partnership agreement with ITAAM Food Catering Association to help in preserving food, where we have continued our sponsorship program of transporting and distributing of preserved food, benefiting more than 25,000 across the Kingdom.
- We have distributed 2,000 integrated food baskets for needy families across the Kingdom.
- Sponsoring more than 40 orphans and 16 widows in Jubail, Dammam, Khobar and Hail through the orphan sponsorship program.
- Renovation of the recreational club for children's who need special society care in the Eastern Province.
- Launching winter clothing campaign in Hafar Al-Batin, where the number of beneficiaries of the winter clothing and food basket campaign reached more than 5,000 individuals.
- Supporting charitable endowments in western province.
- In the field of educational and cultural programs and through our partnership with Global Shapers, Sipchem's role has emerged in supporting, sponsoring and organizing more than 15 cultural scientific programs and meetings, with more than 1,600 beneficiaries.
- Sipchem provided smart tablets for children's of needy families to help them complete their studies by attending virtual classes during the COVID-19 pandemic.
- Supporting care and charitable homes in addition to funding children with Down syndrome.
- In the field of entrepreneurship and supporting small enterprises, Sipchem's role was clearly witnessed during the pandemic through out the establishment of loan fund in cooperation with Jana Center to support 230 productive families.

+347,000

CSR beneficiaries in Saudi Arabia


المتقدمة
Advanced
سبكيم
Sipchem
جمعية السرطان السعودية
Saudi Cancer Foundation


سبكيم
Sipchem


عيدك علينا

Corporate Governance

1. Applied and Not-Applied Provisions of Corporate Governance Regulations

In implementation of the Corporate Governance Regulations issued by the Saudi Capital Market Authority, Sahara International Petrochemical Company "Sipchem" has adopted all regulations, policies and procedures that fall within the powers of the Board of Directors and the General Assembly, as follows:

S	Regulations / Policy
1	Audit Committee Regulations (General Assembly)
2	Company's Main Plans, Policies, Strategies and Goals (Board of Directors)
3	Nomination and Remuneration Committee Regulations (General Assembly)
4	Executive Committee Regulations (Board of Directors)
5	Governance Committee Regulations (Board of Directors)
6	Policies and Standards for Membership Procedures in the Board of Directors (General Assembly)
7	Remuneration policy for Members of the Board of Directors, Board Committees and Executive Management (General Assembly)
8	Corporate Governance Rules (Board of Directors)
9	Dividend Distribution Policy (General Assembly)
10	Risk Management Policies and Procedures (Board of Directors)
11	Conflict of Interest Management Policy for Members of the Board of Directors, Executive Management and Shareholders (Board of Directors)
12	Policy of Organizing the Relationship with Stakeholders (Board of Directors)
13	Sipchem's Administrative and Financial Policies and Powers Delegated to the Executive Management (Board of Directors)
14	Investment and Financing Policies and Mechanisms (Board of Directors)
15	Employee Remuneration Policy (Board of Directors)
16	Work Procedures Policies in the Board of Directors (Board of Directors)
17	Professional Conduct and Ethical Values Policy (Board of Directors)
18	Policies and Procedures to ensure that Sipchem abides by the rules, regulations and disclosure to shareholders and stakeholders (Board of Directors)

Sipchem applies all the provisions mentioned in the Corporate Governance Regulations issued by the Capital Market Authority (CMA) except for the provisions listed below:

Article No.	Article Text	Clarifications
87	Social Responsibility (Guiding Article)	Sipchem implements programs aimed at sustaining social responsibility, which have been focused in areas of concern to society. Sipchem is running its social activities based on a specific strategy in social responsibility.
70	Risk Management Committee Formation (Guiding Article)	In 2020, the Board of Directors directed the Board's Audit Committee to include in its terms of reference, risk management, which shall define the risks facing Sipchem, study all issues related to managing Sipchem's risks, and take appropriate decisions. Risk management is also an integral part of Sipchem strategy. The Audit Committee and Company management shall continuously review Sipchem's risk management policies to ensure that approved policies and programs are implemented to reduce the risks that may face the Company and ensure that risk management processes and regulations are operating efficiently across the Company.
71	Functions of the Risk Management Committee (Guiding Article)	
72	Meetings of the Risk Management Committee (Guiding Article)	
Article 46 paragraph 3	Corporate Competitiveness Controls	During the year 2020, the Board was not notified of any competitive business, and regarding the competition criteria, they will be presented to the General Assembly for approval.

2. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committees Members and Executive Management

A. Board Members:

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Eng. Khalid A. Al-Zamil** (Zamil Group Holding Co. Representative)	Chairman - International Petrochemical Company (Sipchem) Chairman - Zamil Group Holding Co. Chairman - Zamil Industrial Investment Co. Chairman - Middle East Battery Co. Chairman - International Methanol Company Chairman - Sahara Petrochemical Company Chairman - Al WAHA Petrochemical Company	Board Member - Zamil Industrial Investment Co.	Bachelor of Civil Engineering	Board Member -Prince Mohammad bin Fahd University and Board Member - Luberef Company
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman Chairman - Yanbu Cement Co. Chairman - Alrajhi Ekhwan Co. Vice Chairman - Al Watania for Industries Board Member - Musharaka Capital Co. Chairman - Saudi German Company for Non-woven Products (SGN) Board Member - International Methanol Co. Board Member - Al Watania Poultry Co. Chairman - Bischof + Klein Middle East Company Board Member - National Aquaculture Company	Vice Chairman - Yanbu Cement Co. Board Member - Saudi Cement Company	Bachelor of Industrial Management	Chairman - Alrajhi Ekhwan Co. Board Member - Saudi Cement Company
3	**Eng. Yousef A. Al-Zamil**	Board Member - Alinma Investment	Vice Chairman - Gulf Petrochemical Industries Co. Chairman - Saudi Petrochemical Company (SADAF) Board Member - Saudi Arabian Fertilizers Company (Safco).	Bachelor of Chemical Engineering	He worked as Counsellor of H.E the Minister of Energy, Industry and Mineral Resources, and worked as the CEO of the National Industrial Strategy Program in the Ministry of Energy, Industry and Mineral Resources. He also worked as EVP of SABIC and held several positions in SABIC.
4	**Eng. Reyadh S. Ahmed** (Ikarus Petrochemical Co. Representative)	Chairman - Meezan Bank Chairman - Privatization Holding Company Board Member - Noor Financial Investment Co. (NOOR) Board Chairman and CEO of Ikarus Petroleum Industries Chairman - Middle East Complex for Engineering, Electronics & Heavy Industries Co. Chairman - IT Partners Co.	Board Member - Karachi Electric Supply Corp. Vice Chairman - Gas & Oil Fields Services Company Board Member - Saja'a Gas Private Ltd, (SajGas) Board Member - United Gas Supply Company Board Member - Kuwait Rocks Company Vice Chairman - Eastern United Petroleum Services (EUPS)	Bachelor of Chemical Engineering MA of Chemical Engineering	Businessman

2. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committees Members and Executive Management (continued)

A. Board Members (continued)

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
5	**Mr. Saeed A. Basamah**	Chairman - Khair Inorganic Chemical Industries Co. Board Member - International Medical Center Co. Board Member - Saudia Dairy & Foodstuff Co. (SADAFCO) Board Member - Jeddah Development and Urban Regeneration Co.	-	Bachelor of Business Administration	Businessman
6	**Dr. Abdulrahman A. Al-Zamil**	Chairman - Saudi Advanced Technologies Co.	Chairman - Zamil Group Holding Co. Chairman - Zamil Industrial Investment Co. Board Member - Sahara Petrochemicals Co. Chairman - National Power Co. Chairman - National Chemical Carriers Co.	Bachelor of Law PhD - International Relations	He worked as Deputy Governor of the General Electricity Corporation, then as Deputy Minister of Commerce, then as Member of Saudi Shura Council for three sessions
7	**Mr. Ayidh M. Al-Qarni** (Public Pension Agency Representative)	Internal Audit Department - Public Pension Agency	Financial Investment Department - Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
8	**Mr. Saeed O. Al-Esayi**	Chairman - Alesayi Trading Corporation	Board Member - Yanbu Cement Co. Board Member - Al Rajhi Bank Board Member - Sahara Petrochemical Co.	Bachelor of Industrial Engineering	Businessman
9	**Mr. Ziad A. Al-Turki**	Chairman - Sons of A. A. Turki Co. for Trading & Contracting	Vice chairman - A. A. Turki Co. for Trading & Contracting	Diploma of Social Sciences	Businessman
10	**Mr. Bandr A. Masoudi** (GOSI Representative)	Director of Digital Systems - GOSI	-	B.A. Science & Statistics B.A. Computer Science M.A. Computer Science	He worked in several positions in GOSI
11	**Mr. Abdulaziz A. bin Dayel**	Adviser and Board Secretary-General of the Public Pension Agency Board Member - Tabuk Agricultural Development Co Audit Committee Member - Tabuk Agricultural Development Co Nomination and Remuneration Committee Chairman - Tabuk Agricultural Development Co	Executive Director - Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director - Tihama Advertising, Public Relations and Marketing Co.	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.

2. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committees Members and Executive Management (continued)

B. Committees members:

Executive Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Eng. Yousef A. Al-Zamil**	Board Member - Alinma Investment	Vice Chairman - Gulf Petrochemical Industries Co. Chairman - Saudi Petrochemical Company (SADAF) Board Member - Saudi Arabian Fertilizers Company (Safco).	Bachelor of Chemical Engineering	He worked as Counsellor of H.E the Minister of Energy, Industry and Mineral Resources, and worked as the CEO of the National Industrial Strategy Program in the Ministry of Energy, Industry and Mineral Resources. He also worked as EVP of SABIC and held several positions in SABIC.
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman Chairman - Yanbu Cement Co. Chairman - Alrajhi Ekhwan Co. Vice Chairman - Al Watania for Industries Board Member - Musharaka Capital Co. Chairman - Saudi German Company for Non-woven Products (SGN) Board Member - International Methanol Co. Board Member - Al Watania Poultry Co. Chairman - Bischof + Klein Middle East Company Board Member - National Aquaculture Company	Vice Chairman - Yanbu Cement Co. Board Member - Saudi Cement Company	Bachelor of Industrial Management	Chairman - Alrajhi Ekhwan Co. Board Member - Saudi Cement Company
3	**Eng. Reyadh S. Ahmed**	Chairman - Meezan Bank Chairman - Privatization Holding Company Board Member - Noor Financial Investment Co. (NOOR) Board Chairman and CEO of Ikarus Petroleum Industries Chairman - Middle East Complex for Engineering, Electronics & Heavy Industries Co. Chairman - IT Partners Co.	Board Member - Karachi Electric Supply Corp. Vice Chairman - Gas & Oil Fields Services Company Board Member - Saja'a Gas Private Ltd, (SajGas) Board Member - United Gas Supply Company Board Member - Kuwait Rocks Company Vice Chairman - Eastern United Petroleum Services (EUPS)	Bachelor of Chemical Engineering MA of Chemical Engineering	Businessman
4	**Mr. Ayidh M. Al-Qarni**	Internal Audit Department - Public Pension Agency	Financial Investment Department - Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
5	**Mr. Saeed O. Al-Esayi**	Chairman - Alesayi Trading Corporation	Board Member - Yanbu Cement Co. Board Member - Al Rajhi Bank Board Member - Sahara Petrochemical Co.	Bachelor of Industrial Engineering	Businessman

2. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committees Members and Executive Management (continued)

B. Committees members (continued)

Audit Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Ayidh M. Al-Qarni**	Internal Audit Department - Public Pension Agency	Financial Investment Department - Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
2	**Mr. Mohammad Farhan Al-Nader**	Managing Partner - RSM International Allied Accountants	Executive Director of Finance - Awqaf Sulaiman Al-Rajhi Holding Co.	Bachelor of Accounting	Managing Partner - RSM International Allied Accountants
3	**Dr. Mohammed Faraj Al Kanani**	Founder and CEO of Holfaa El Tanmya Company	Dean of the College of Industrial Management, King Fahd University of Petroleum and Minerals. Head of Finance and Economics Department at the King Fahd University of Petroleum and Minerals. General Investment Supervisor of the Fund for Supporting Research and Educational Programs at the King Fahd University of Petroleum and Minerals.	Bachelor's Degree in Financial Management from King Fahd University of Petroleum and Minerals. Master's Degree in Financial Management from the University of Colorado Denver in the United States. Ph.D. in Finance Management, University of Oklahoma, United States. Accredited Financial analyst	Chairman - Dhahran Valley Business Services Company Board Member - (Arab National Bank, Dhahran Techno Valley Holding Company, Saudi Real Estate Refinance Co., National Bonds Corporation, AlAhli Takaful Company, Leejam Sports Company, Environmental Fund, Oasis Business Company, Governance Center Co. owned by Public Investment Fund)

Nomination and Remuneration Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Ziad A. Al-Turki**	Chairman - Sons of A. A. Turki Co. for Trading & Contracting	Vice chairman - A. A. Turki Co. for Trading & Contracting	Diploma of Social Sciences	Businessman
2	**Mr. Fahad S. Al-Rajhi**	Chairman - Yanbu Cement Co. Chairman - Alrajhi Ekhwan Co. Vice Chairman - Al Watania for Industries Chairman - Saudi German Company for Non-woven Products (SGN) Chairman - Bischof + Klein Middle East Company	Vice Chairman - Yanbu Cement Co. Board Member - Saudi Cement Company	Bachelor of Industrial Management	Chairman - Alrajhi Ekhwan Co. Board Member - Saudi Cement Company
3	**Mr. Bandr A. Masoudi**	Director of Digital Systems	-	B.A. Science & Statistics B.A. Computer Science M.A. Computer Science	He worked in several positions in GOSI
4	**Eng. Saeed A. Basamah**	Chairman - Khair Inorganic Chemical Industries Co.	-	Bachelor of Business Administration	Businessman
5	**Mr. Abdulaziz A. bin Dayel**	Adviser and Board Secretary-General of the Public Pension Agency Board Member - Tabuk Agricultural Development Co Nomination and Remuneration Committee Chairman - Tabuk Agricultural Development Co Audit Committee Member - Tabuk Agricultural Development Co	Executive Director - Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director - Tihama Advertising, Public Relations and Marketing Co.	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.

2. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committees Members and Executive Management (continued)

Governance Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Abdulaziz A. bin Dayel**	Adviser and Board Secretary-General of the Public Pension Agency Board Member - Tabuk Agricultural Development Co Nomination and Remuneration Committee Chairman - Tabuk Agricultural Development Co Audit Committee Member - Tabuk Agricultural Development Co	Executive Director - Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director - Tihama Advertising, Public Relations and Marketing Co.	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.
2	**Dr. Najem bin Abdulla Al Zaid**	Vice-Chairman - Saudi Electricity Company The founding and executive partner of ZS&R Law Firm	Board Member - CMA General Manager of Legal Affairs of CMA	PhD in Law Master's Degree in law Bachelor of Laws and Regulations	He held several positions in various sectors in CMA, until he worked as a Board Member of CMA
3	**Mr. Turki M. AlMarzouq**	Corporate Governance Manager - Public Pension Agency	Financial Management of Arriyadh Development Company	Bachelor of Accounting	He has more than 20 years of practical experience in management, finance, investment and accounting, as well as in boards of directors and their committees in industrial, real estate and agricultural sectors.

Executive Management

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Eng. Saleh M. Bahamdan**	CEO	CEO - Sahara Petrochemical Company	Bachelor's Degree in Electrical Engineering MA of Electrical Engineering	Thirty-eight years of experience in petrochemical industry
2	**Eng. Abdullah S. Al-Saadoon**	COO	Sipchem CEO	Bachelor of chemical engineering	He held several positions in SABIC in the petrochemical industry. He moved to Sipchem and progressed to become Sipchem's CEO and then COO after merger with Sahara Petrochemicals Company
3	**Mr. Rushdi K. Al-Dulijan**	Vice-President of Finance	Executive Vice-President of Finance and Information Technology at Sahara Petrochemicals Company	Bachelor of Accounting	Twenty-six years in financial management
4	**Mr. Faisal M. Al-Modlij**	General Manager of Corporate Affairs and Governance Board Secretary	Manager of Corporate Affairs and Compliance	Bachelor of Management Systems	22 years in corporate affairs and governance and board of directors affairs

3. Names of companies inside or outside KSA whose current and former Board Members or directors are Board Members of Sipchem

Member Name	Names of companies whose current Board Members or directors are Board Members of Sipchem	Inside or outside KSA	Legal entity (joint stock company/ listed joint stock company/ unlisted joint stock company/ limited liability company)	Names of companies whose former Board Members or directors are Board Members of Sipchem	Inside or outside KSA	Legal entity (joint stock company/ listed joint stock company/ unlisted joint stock company/ limited liability company)
Eng. Khalid A. Al-Zamil	Zamil Group Holding Co. Zamil Industrial Investment Co. Middle East Battery Co. International Methanol Company Sahara Petrochemicals Company Al WAHA Petrochemicals Company Luberef Company	Inside KSA	Closed Joint Stock Company Publicly Listed Joint Stock Company Limited Liability Company Limited Liability Company Unlisted Joint Stock Company Limited Liability Company Limited Liability Company	-	-	-
Mr. Fahad S. Al-Rajhi	Yanbu Cement Co. Alrajhi Ekhwan Co. Al Watania for Industries Musharaka Capital Co. Saudi German Company for Non-woven Products (SGN) International Methanol Company Watania Poultry Co. Bischof + Klein Middle East Company National Aquaculture Company	Inside KSA	Publicly Listed Joint Stock Company Unlisted Joint Stock Company Unlisted Joint Stock Company Unlisted Joint Stock Company Limited Liability Company Limited Liability Company Unlisted Joint Stock Company Limited Liability Company	Saudi Cement Company	Inside KSA	Publicly Listed Joint Stock Company
Mr. Saeed A. Basamah	International Medical Center Co. Saudia Dairy & Foodstuff Co. (SADAFCO) Jeddah Development and Urban Regeneration Co. Khair Inorganic Chemical Industries	Inside KSA	Closed Joint Stock Company Publicly Listed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company	-	-	-
Mr. Ayidh M. Al-Qarni	-	-	-	-	-	-
Eng. Reyadh S. Ahmed	Meezan Bank Privatization Holding Company Noor Financial Investment Co. (NOOR) Ikarus Petroleum Industries Middle East Complex for Engineering, Electronics & Heavy Industries Co. IT Partners Co.	Outside KS	Publicly Listed Joint Stock Company Publicly Listed Joint Stock Company Publicly Listed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company	Karachi Electric Supply Corp. Gas & Oil Fields Services Company Saja'a Gas Private Ltd, (SajGas) United Gas Supply Company Kuwait Rocks Company Eastern United Petroleum Services (EUPS)	Outside KS	Publicly Listed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company

3. Names of companies inside or outside KSA whose current and former Board Members or directors are Board Members of Sipchem (continued)

Member Name	Names of companies whose current Board Members or directors are Board Members of Sipchem	Inside or outside KSA	Legal entity (joint stock company/ listed joint stock company/ unlisted joint stock company/ limited liability company)	Names of companies whose former Board Members or directors are Board Members of Sipchem	Inside or outside KSA	Legal entity (joint stock company/ listed joint stock company/ unlisted joint stock company/ limited liability company)
Dr. Abdulrahman A. Al-Zamil	Saudi Advanced Technologies Company	Inside KSA	Limited Liability Company	Zamil Group Holding Co. Zamil Industrial Investment Co. Sahara Petrochemicals Company National Power Company National Chemical Carriers Ltd Company (NCC)	Inside KSA	Closed Joint Stock Company Publicly Listed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company
Mr. Ziad A. Al-Turki	Sons of A. A. Turki Co. for Trading & Contracting A. A. Turki Co. for Trading & Contracting Keller Turki Ltd Redland Industrial Services (Arabia) Ltd. The Finance Company For Construction Ltd Honeywell Turki Arabia Tamam Intergraded Trading Ltd. Dhahran International Exhibitions Company Ramky-Al-Turki Environmental Services ATCO Marine Services Investcorp Bank	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Outside KSA Outside KSA	Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Limited Liability Company Joint-Stock Company	Samba Capital Saudi United Construction Company	Outside KSA Inside KSA	Limited Liability Company Limited Liability Company
Eng. Yousef A. Al-Zamil	Alinma Investment Co.	Inside KSA	Limited Liability Company	Gulf Petrochemical Industries Co. (GPIC) Saudi Petrochemicals Company (SADAF)	Inside KSA	Limited Liability Company Limited Liability Company
Mr. Saeed O. Al-Esayi	Alesayi Trading Corporation Omar Kassem Al Esayi & Partners Marketing Company Ltd Omar Kassem Alesayi Group Co. Ltd Omar Kassem Al-Esayi & Partners Co. Ltd United Carton Industries Company	Inside KSA	Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company	Sahara Petrochemicals Company Yanbu Cement Co. AL Rajhi Bank	Inside KSA	Closed Joint Stock Company Publicly Listed Joint Stock Company Publicly Listed Joint Stock Company
Mr. Bandr A. Masoudi	-	-	-	-	-	-
Mr. Abdulaziz A. bin Dayel	Tabuk Agricultural Development Company	Inside KSA	Listed joint stock company	Tihama Advertising, Public Relations and Marketing Co. Adart Medyan Company Ogel V Co. Intermarkets Co. Mawarid Food Company Ltd	Inside KSA	Publicly Listed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company

4. Composition of the Board of Directors and Classification of Directors

Sipchem has the privilege of having a highly experienced Board of Directors with full relevant knowledge and efficiency in petrochemicals. The Board is composed of eleven members elected by the

Ordinary General Assembly Meeting on 08/12/2019 for three years, extending to 09/12/2022.

Members are classified as follows:

S	Name	Commission	Membership Status
1	**Eng. Khalid A. Al-Zamil** (Representative of Zamil Group Holding Company)	Chairman	Non-executive
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman	Non-executive
3	**Dr. Abdulrahman A. Al-Zamil**	Member	Non-executive
4	**Eng. Reyadh S. Ahmed** (Representative of Ikarus Petrochemical Holding Company)	Member	Non-executive
5	**Eng. Saeed A. Basamah**	Member	Non-executive
6	**Eng. Yousef A. Al-Zamil**	Member	Non-executive
7	**Mr. Saeed O. Al-Esayi**	Member	Independent
8	**Mr. Ayidh M. Al-Qarni** (Representative of the Public Pension Agency)	Member	Independent
9	**Mr. Ziad A. Al-Turki**	Member	Independent
10	**Mr. Bandr A. Masoudi** (Representative of GOSI)	Member	Independent
11	**Mr. Abdulaziz A. bin Dayel**	Member	Independent

5. Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and remarks about Sipchem and its performance

Except for the queries in the Extraordinary General Assembly, dated April 2020, no further inquiries or observations regarding the Company and its performance have been received by the Company. The Investor Relations Department meets with shareholders and investors throughout the year to review the latest developments of Sipchem. The CEO and Chairman of the Board of Directors shall inform the Board of Directors of the proposals, observations and opinions of shareholders and investors through the Board periodic meetings without the presence of any Executive Member if necessary. Article 37 of the Articles of Association of the Company provides procedures to ensure that all shareholders have the right to discuss matters, request information and ask questions to the members of the Board of Directors and Auditors. The Chairman and members of the Board of Directors shall respond to all inquiries concerning the Company business.

6. Brief Description of Committees' Terms of Reference

A. Audit Committee

The main purpose of the Audit Committee is to assist the Board in overseeing financial reporting operations, monitoring the adequacy and effectiveness of the internal control system, supervising internal audits and verifying its effectiveness in carrying out tasks and functions entrusted thereto.

The Committee is composed of three members, one of whom is an independent member of the Board of Directors. The other two members are nominated from outside the Board of Directors with the expertise that qualifies them to participate actively in the work of the Audit Committee. Terms of reference of the Committee include, in particular:

First: Financial Reports and Statements:

- Analyze Sipchem's quarterly and annual financial statements before being presented to the Board and provide opinions and recommendations on their integrity, clarity and transparency.
- Provide the technical opinion, at the request of the Board of Directors, whether the Board's report and financial statements of the Company are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the financial position of Sipchem and its performance, business model and strategy.
- Examine any important or unusual issues contained in the financial reports and statements.
- Closely investigate into any matters raised by Sipchem's CFO, or who perform his duties or Sipchem's Auditor.
- Examine accounting estimates in relation to important matters stated in financial reports and statements.
- Study the accounting policies adopted by Sipchem and provide an opinion and recommendation to the Board of Directors in this regard.

Second: Internal Audit:

- Study and review the internal control, financial and risk management systems of the Company.
- Analyze and study the internal audit reports and follow up implementation of the corrective actions of the observations contained therein.
- Supervise and monitor the performance and activities of the Internal Audit Department of Sipchem, to verify the availability of human and material resources necessary for its effectiveness.
- Make a recommendation to the Board on the need for appointment of the head of internal audit, and propose his remunerations.

6. Brief Description of Committees' Terms of Reference (continued)

Third: Auditor:

- Recommend to the Board of Directors to appoint auditors, remove them, determine their fees and evaluate their performance, after ascertaining their independence, reviewing the scope of their work and the terms of their contract.
- Verify independence, objectivity and honesty of the external auditor and effectiveness of external audit works and activities, taking into account the relevant rules and standards.
- Review Sipchem's external auditor plan and its activities, and ensure that the external auditor does not conduct any technical or administrative activities beyond the scope of external audit activities.
- Respond to all inquiries of Sipchem's external auditor.
- Study and review the external auditor's reports and observations on the financial reports and statements and follow up actions taken.

Fourth: Compliance Verification:

Review the results of the reports of the regulatory bodies (if any) and verify that Sipchem takes the necessary procedures.

Check Sipchem's compliance with relevant laws, regulations, rules, policies and instructions.

Review the contracts and transactions to be concluded by Sipchem with the related parties and submit relevant recommendations to the Board of Directors.

Inform the Board of Directors of the issues it deems necessary to take actions and make recommendations on the steps/actions that are required to be taken.

- Members of the Audit Committee and Attendance Record of Audit Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2020: six meetings						
			First 15/01/2020	Second 22/03/2020	Third 17/05/2020	Fourth 23/07/2020	Fifth 26/10/2020	Sixth 09/12/2020	Total Attendance
1	**Mr. Ayidh M. Al-Qarni**	Chairman	✓	✓	✓	✓	✓	✓	6
2	**Mr. Mohammad Farhan Al-Nader**	Member	✓	✓	✓	✓	✓	✓	6
3	**Dr. Mohammed Faraj Al Kanani**	Member	✓	✓	✓	✓	✓	✓	6

✓ Present ✗ Absent

B. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall consist of five members of the Board of Directors of the Company.

- Terms of Reference of the Committee

First: With regard to remunerations:

- Prepare a clear policy for remuneration of members of the Board of Directors and the Board Committees and the Executive Management to enhance motivation of the administrative staff and maintain distinguished key-staff and present it to the Board of Directors for consideration in preparation for adoption by the General Assembly, taking into account that such policy shall follow and disclose criteria related to performance, and ensure implementation thereof.
- Clarify the relationship between the remunerations awarded and the applicable remuneration policy and indicate any material deviation from this policy.
- Periodically review the remuneration policy and assess its effectiveness in achieving objectives thereof.
- Provide recommendations to the Board in respect of remunerations of Board members, committees members and Senior Executives, in accordance with the approved policy.

Second: With regard to Nominations:

- Propose clear policies and standards for membership in the Board and Executive Management.
- Recommend to the Board of Directors the nomination and re-nomination of members in accordance with the approved policies and standards, taking into account the non-nomination of any person who has already been convicted of breach of trust.
- Prepare a description of capabilities and qualifications required for membership of the Board of Directors and functions of the Executive Management.
- Determine the time a member should allocate to the work of the Board of Directors.
- Annual review of the required skills or experience requirements for Board Membership and Executive Management functions.
- Review the structure of the Board of Directors, Board Committees and the Executive Management and make recommendations on possible changes.
- Annually verify the independence of independent members and check that there is no conflict of interest if the member is on the board of another company.
- Develop a job description of executive members, non-executive members, independent members and senior executives.

6. Brief Description of Committees' Terms of Reference (continued)

B. Nomination and Remuneration Committee (continued)

- Establish special procedures in the event of a vacancy in the membership of the Board of Directors or senior executives.
- Identify weaknesses and strengths in the board of directors, and propose solutions to address them in line with Sipchem interests.
- The Committee shall study the topics that are assigned to it or referred to it by the Board of Directors and submit its recommendations to the Board for decision-taking.

• Members of the Nomination and Remuneration Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2020: four meetings				
			First 06/04/2020	Second 21/04/2020	Third 25/08/2020	Fourth 02/12/2020	Total Attendance
1	**Mr. Ziad A. Al-Turki**	Chairman	✓	✓	✓	✓	4
2	**Mr. Fahad S. Al-Rajhi**	Member	✓	✓	✓	✓	4
3	**Mr. Bandr A. Masoudi**	Member	✓	✓	✓	✓	4
4	**Eng. Saeed A. Basamah**	Member	✓	✓	✓	✓	4
5	**Mr. Abdulaziz A. bin Dayel**	Member	✓	✓	✓	✓	4

✓ Present ✗ Absent

C. Executive Committee:

• Terms of reference, functions and responsibilities of the Committee:

- Study the issues referred to the Committee by the Board of Directors and take appropriate decisions regarding them as delegated by the board.
- The Committee exercises the powers of the Board with regard to managing and directing the activities and work affairs of Sipchem, except for those matters that stipulate its delegation to other committees of the Board and matters that cannot be delegated by the Board in accordance with the provisions of applicable laws and regulations or under the provisions of the Bylaws and the Articles of Associations of the Company.
- Supervise the development of Sipchem's short, medium and long-term strategic plans and submit the same to the Board for approval.
- Follow-up on and ensure implementation of Sipchem's overall strategy and its effectiveness in achieving the desired objectives, as well as review and update the same from time to time.
- Supervise the annual budgeting of Sipchem, review the proposals submitted by the Executive Management and submit recommendations to the Board for approval.
- Follow up on actual performance and submit the necessary recommendations to the Board.
- Study investment opportunities, whether in the area of buying shares or stakes in existing companies, or the acquisition of companies operating in the same field as Sipchem, and provide the necessary recommendations thereon to the Board.
- Provide the Board with periodic reports on the Committee's work results.
- The Committee periodically reviews and reassesses the suitability of these regulations, makes the proposed amendments and submits them to the Board.

• Members of the Executive Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2020: Seven meetings							
			First 10/02/2020	Second 19/02/2020	Third 02/04/2020	Fourth 13/05/2020	Fifth 16/09/2020	Sixth 25/11/2020	Seventh 10/12/2020	Total Attendance
1	**Eng. Yousef A. Al-Zamil**	Chairman	✓	✓	✓	✓	✓	✓	✓	7
2	**Mr. Fahad S. Al-Rajhi**	Member	✓	✓	✓	✓	✓	✓	✓	7
3	**Eng. Reyadh S. Ahmed**	Member	✗	✓	✓	✗	✓	✓	✓	5
4	**Mr. Ayidh M. Al-Qarni**	Member	✓	✓	✓	✓	✓	✓	✓	7
5	**Mr. Saeed O. Al-Esayi**	Member	✗	✓	✓	✓	✓	✓	✓	6

✓ Present ✗ Absent

6. Brief Description of Committees' Terms of Reference (continued)

D. Governance Committee:

Terms of reference, functions and responsibilities of the Committee:

During 2020, the Board of Sahara International Petrochemical Company (Sipchem) established the Governance Committee. The terms of reference, functions and responsibilities of the Committee are as follows:

The Committee shall ensure that the provisions of regulations and laws issued by CMA and the Ministry of Commerce relating to the work and functions of the Committee are applied by Sipchem. In this regard, the Committee shall:

- Review and update Sipchem's Governance Regulations and its annexes in accordance with the regulatory requirements and best practices.
- Review and develop Professional Code of Conduct that reflects the values of Sipchem and other internal policies and procedures in a manner that meets the needs of the Company and is in line with best practices and submit the same to the Board for approval.
- Keep the Board Members always informed of developments of corporate governance and best practices.
- Annually review the Board report to ensure that Sipchem's obligations are in accordance with the relevant laws and regulations and submit a recommendation to the Board for approval to be presented to the Ordinary General Assembly for approval.
- Recommend to the Board everything that would enhance Sipchem's corporate governance practices.

- Members of the Governance Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2020: Two meetings		
			First 22/07/2020	Second 11/11/2020	Total Attendance
1	**Mr. Abdulaziz A. bin Dayel**	Chairman	✓	✓	2
2	**Dr. Najem bin Abdulla Al Zaid**	Member	✓	✓	2
3	**Mr. Turki M. AlMarzouq**	Member	✓	✓	2

✓ Present ✗ Absent

7. Methods Adopted By The Board Of Directors To Assess The Board Performance

During 2020, Sipchem, in order to significantly improve the performance of the Board in decision-making, internally assessed the work of the Board through questionnaires to assess the performance and effectiveness of the Board's work.

8. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management

Controls of Membership Remunerations in the Board and the Committees

The Nomination and Remuneration Committee shall recommend to the Board of Directors the remunerations of the members of the Board and the members of the committees, as follows:

- Taking into consideration the harmony of remunerations with Sipchem's strategy and objectives.
- Taking into account the practices of other companies and prevailing practice of the labor market in determining the remunerations, while avoiding the resulting unjustified increase of remunerations and compensations and within the limits stipulated by the Companies Law and its Implementing Regulations.
- The remuneration shall be reasonably sufficient to attract the members of the Board of Directors with the appropriate competence and experience.
- The remuneration should be fair and commensurate with the terms of reference of the member and the duties and responsibilities of the members of the Board of Directors or committees, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
- Remuneration of the Board members may vary based on different responsibilities assigned to each member in addition to other considerations.
- Board members may not vote on Board members remuneration item at the General Assembly Meeting of shareholders.
- The Company shall disclose remunerations of Board, committees members and senior executives in the Board Annual Report in accordance with the relevant regulations. The Board Report submitted to the Ordinary General Assembly must include a comprehensive statement of all remuneration, allowances and other benefits granted to Board members during a fiscal year. The Report must include a statement of all amounts received by the Board members in their capacity as employees or managers, or in return for technical or administrative duties or consultations. The Report must also include a statement of the number of Board meetings and number of meetings attended by each member as from the last General Assembly Meeting.

Mechanism of Remuneration of Board and Committees Members

- The Company's Articles of Association and the policy of remuneration and compensation of the Board and Executive Management shall determine the annual remuneration of the Board members while the committees regulations shall specify remuneration and allowances of their members to be consistent with the Company's business, provided that amounts given to each member does not exceed the limits stipulated in Companies Law and Regulations thereof.
- Remuneration must be based on recommendations of the Company's Nomination and Remuneration Committee.
- Remuneration of Board and committees members shall be granted against their participation in meetings and number of meetings they attend.
- Attendance allowance and other benefits related to Board and related committee meetings shall be paid immediately after each meeting. The board annual remuneration shall be paid in full after being approved by the General Assembly.

8. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Details of Remuneration of Board and Committees Members

A. Remuneration of Board Members

- The Board shall determine, based on recommendations of Nomination and Remuneration Committee, the annual remuneration of the Board and committees members.
- Remuneration of the Board members shall be a certain amount, meeting attendance allowance, in-kind benefits, or a certain percentage of net profits, noting that two or more of such benefits may be combined. In all cases, remuneration, allowances and other financial or in-kind benefits granted to a Board member may not exceed an amount of SAR 500,000 pursuant to the provisions of Companies Law and Regulations thereof, and in line with controls of the competent authorities. In case remuneration of the Board members is a percentage of profits, such percentage should not exceed 10%.
- Board members who reside outside the Company headquarters, whether inside or outside the Kingdom, are entitled to compensation for travel costs to attend Board meetings. These costs include a round trip ticket from the place of residence to the venue of the meeting as well as the costs associated with accommodation, transportation and attendance allowance.
- Upon recommendation of the Nomination and Remuneration Committee and after approval of the Board, the Board member shall be entitled to an annual remuneration of not more than SAR 300.000 in return for his membership in the Board in accordance with the eligibility mechanism set forth in Article (4) of this Policy.
- Upon recommendation of the Nomination and Remuneration Committee and after approval of the Board, the Board member participating in the Board committees shall be entitled to an annual remuneration not exceeding SAR 100,000 in return for his membership in the Board committees whether the member is a participant in one or more committees, including remuneration granted against membership in the Audit Committee" in accordance with the eligibility mechanism described in Article (4) of this Policy.
- Upon recommendation of the Nomination and Remuneration Committee, the Chairman of the Board shall determine the remuneration of membership in the committees in which the member is appointed from outside the Board, so that such remuneration does not exceed SAR 100,000.
- The Board may, upon recommendation of the Nomination and Remuneration Committee, from time to time review the annual remuneration of the Board member referred to above in the light of the variables related to performance, provided that remuneration, allowances and other financial or in-kind benefits granted to the Board member shall not exceed the amount of SAR 500,000 in accordance with the provisions of the Companies Law and its regulations and in accordance with the regulations set by the competent authorities.

8. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Remuneration of Board Members

	Fixed Remunerations							Variable Remunerations								
	Certain amount	Attendance allowance for meetings	Sum of attendance allowance for committees' meetings	In-kind benefits	Remuneration of technical, administrative and consultancy works	Remuneration of the Chairman of Board, Managing Director or Secretary of Board, if a Board Member	Total	Percentage of Profits	Periodic Remunerations	Short-term incentive plans	Long-term Incentive Plans	Granted shares	Total	End-of-Service gratuity	Gross total	Expenses allowances (transportation, accommodation)
Eng. Khalid A. Al-Zamil		12,000					**12,000**		100,000				**100,000**		**112,000**	
Dr. Abdulrahman A. Al-Zamil		12,000					**12,000**		300,000				**300,000**		**312,000**	3,110
Eng. Yusef A. Al-Zamil		12,000	21,000				**33,000**		50,000				**50,000**		**83,000**	5,420
Mr. Fahad S. Al-Rajhi		12,000	33,000				**45,000**		400,000				**400,000**		**445,000**	
Mr. Saeed O. Al-Esayi		12,000	18,000				**30,000**		150,000				**150,000**		**180,000**	
Eng. Reyadh S. Ahmed		12,000	15,000				**27,000**		350,000				**350,000**		**377,000**	
Mr. Abdulaziz A. bin Dayel		12,000	18,000				**30,000**		50,000				**50,000**		**80,000**	5,820
Eng. Saeed A. Basamah		12,000	12,000				**24,000**		50,000				**50,000**		**74,000**	9,190
Mr. Ziad A. Al-Turki		12,000	12,000				**24,000**		350,000				**350,000**		**374,000**	
Mr. Ayidh M. Al-Qarni		12,000	39,000				**51,000**		400,000				**400,000**		**451,000**	6,220
Mr. Bandr A. Masoudi		12,000	12,000				**24,000**		400,000				**400,000**		**424,000**	
Total		132,000	180,000				**312,000**		2,600,000				**2,600,000**		**2,912,000**	29,760

- Board Members do not receive any in-kind benefits or remunerations for any technical, administrative or consulting works.
- Each member in the Audit Committee shall receive an amount of SAR 100,000. This is not included in the maximum amount of remuneration of 500,000 according to the provisions of the Companies Law.

8. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Remunerations of Committees Members:

	Fixed Remunerations* (Except attendance allowance)	Attendance allowance	Total
Audit Committee Members			
Mr. Ayidh M. Al-Qarni	100,000	18,000	118,000
Mohammad F. Al-Nader	100,000	18,000	118,000
Mohammed F. Al-Zahrani	16,667	18,000	34,667
Total	**216,667**	**54,000**	**270,667**
Executive Committee Members			
Yusef A. Al-Zamil	0	21,000	21,000
Fahad S. Al-Rajhi	0	21,000	21,000
Reyadh S. Ahmed	100,000	15,000	115,000
Mr. Ayidh M. Al-Qarni	0	21,000	21,000
Saeed O. Al-Esayi	0	18,000	18,000
Total	**100,000**	**96,000**	**196,000**
Members of Nomination & Remuneration Committee			
Ziyad A. Al-Turk	100,000	12,000	112,000
Fahad S. Al-Rajhi	100,000	12,000	112,000
Bandr A. Masoudi	100,000	12,000	112,000
Saeed A. Basamah	0	12,000	12,000
Abdulaziz A. bin Dayel	0	12,000	12,000
Total	**300,000**	**60,000**	**360,000**
Members of Governance Committee			
Abdulaziz A. bin Dayel	0	6,000	6,000
Turki M. AlMarzouq	0	6,000	6,000
Najem A. Al Zaid	0	6,000	6,000
Total	0	18,000	18,000

8. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Mechanism of Remuneration of Senior Executives (Executive Management)

- The Board shall determine types of remuneration granted to the Company's senior executives - based on recommendations of Nomination and Remuneration Committee - such as fixed remuneration, performance-based remuneration, and incentives.
- Remuneration is intended to promote competitiveness required to attract and retain qualified and competent employees and to maintain the highest level of skills that the Company needs.

Remunerations of Senior Executives - Five of Senior Executives who have received the highest remunerations from Sipchem, including CEO and CFO as detailed in the below table:

	Fixed Remunerations				Variable Remunerations								
	Salaries	Allowances	In-kind benefits	Total	Periodic Remunerations	Profits	Short-term incentive plans	Long-term Incentive Plans	Granted shares (Insert the value)	Total	End-of-Service gratuity	Total remunerations of Board Executives, if any	Gross total
Remunerations of Senior Executives including CEO and CFO	8,668,472	3,657,055		12,325,527	734,550			4,444,851		5,179,401	1,983,339		19,488,267

9. Any Penalty, Sanction or Precautionary Measure

There are no penalties, sanctions, precautionary measure or precautionary attachment imposed on Sipchem by CMA or any other supervisory, regulatory or judicial authority.

10. Results of Annual Review of Internal Audit Procedures

The Internal Audit Department of Sipchem provides assurance and consulting services independently and objectively in order to add value, improve operations and achieve the strategic goals of Sipchem.

The Internal Audit Department assists Sipchem in achieving its goals through evaluating and improving the effectiveness of the internal control system, risk management and governance processes.

The Internal Audit Department follows the risk based audit methodology, through which the audit work is directed towards the most risky and important activities and works of Sipchem. In accordance with the best professional practices, Sipchem annual audit plan is prepared on the basis of risks.

The scope of work of the Internal Audit Department in Sipchem includes the review of activities, operations, risk management procedures, internal control systems, information systems, governance processes, and assistance in discovery and protection against fraud, deceit, and embezzlement. All activities, functions, departments and branches of Sipchem and subsidiaries fall within the scope of the Internal Audit Department.

During 2020, the Internal Audit Department carried out several periodic and special audits according to the annual audit plan approved by the Audit Committee with the aim of giving the necessary assurances regarding the effectiveness and efficiency of internal control and risk management in Sipchem, with a focus on activities and functions with high risks. The Internal Audit Department also provides consulting services for the purpose of contributing with the Executive Management to improving the efficiency and effectiveness of Sipchem's various operations, in addition to contributing to the audit of the interim and annual financial statements.

Audit Committee's opinion on the adequacy of Sipchem's internal control system

The internal audit activities and processes referred to above did not show the existence of substantial observations during 2020, and the internal audit activities and processes demonstrated the adequacy and effectiveness of the internal control system, the existence of good risk management and the efficiency of governance processes.

11. Recommendation made by the Audit Committee on the need for the appointment of an internal auditor in Sipchem

There was no recommendation made by the Committee as Sipchem already has an Internal Audit Department performing internal auditor functions.

12. Audit Committee's recommendations contradicting with the Board's resolutions or rejected by the Board on appointing and dismissing Sipchem's auditor, determining relevant fees and assessing the performance thereof

There is no contradiction between the Audit Committee's recommendations and the Board's decisions.

13. Details of Social Contributions

Sipchem seeks to develop relationships based on the principle of sustainability between the Company and society by creating and promoting a culture of social responsibility in all of Sipchem's business. Sipchem has, since its inception, contributed to the advancement of society, based on our belief that social empowerment is an integral part of our heritage.

We strive hard to inspire people and empower society to invest therein. Year after year, we are working to improve, develop and activate our approach and way of dealing with society to achieve high returns and benefits at all levels of projects.

Our Areas of Concern in Social Responsibility:

• Health and safety	• Entrepreneurship	• Support of local economies
• Sport and culture	• Environment and sustainability	• Education

Because of our strong belief in Social Responsibility, we allocated 1% of our net profit to the implementation of social initiatives. Our programs covered more than 76% of Saudi Arabia and reached more than 1 million beneficiaries.

In previous years, Sipchem has been committed to its duties towards society, despite the difficult conditions experienced by the global economy, especially the petrochemical sector. In 2020, Sipchem allocated a total of about SAR 7 million for community service activities, as the contributions and initiatives varied according to Sipchem's policy in community service. Sipchem focused on implementing sustainable programs aimed at keeping pace with social change, and has focused on areas of concern.

More recently, during the Coronavirus outbreak, Sipchem has continued to implement many social responsibility programs that deems appropriate with community service programs and sustainable charity programs. Sipchem has adopted a number of initiatives in partnership with competent authorities through which it has stood side by side with the government's efforts to combat Covid-19.

14. Statement of the dates of shareholders' general assemblies held during 2020 and the names of Attended Board Members

The Extraordinary General Assembly was held on **April 29, 2020**. The Attendance Record of Board Members is as follows:

S	Name	April 29, 2020	Attendance
1	Eng. Khalid A. Al-Zamil	✓	1
2	Mr. Fahad S. Al-Rajhi	✓	1
3	Dr. Abdulrahman A. Al-Zamil	✓	1
4	Eng. Reyadh S. Ahmed	✓	1
5	Eng. Saeed A. Basamah	✓	1
6	Eng. Yousef A. Al-Zamil	✓	1
7	Eng. Saeed O. Al-Esayi	✓	1
8	Mr. Ayidh M. Al-Qarni	✓	1
9	Mr. Ziad A. Al-Turki	✓	1
10	Mr. Bandr A. Masoudi	✓	1
11	Mr. Abdulaziz A. bin Dayel	✓	1

15. DESCRIPTION OF SIPCHEM ACTIVITIES

4.013

million metric tons

The total production of the company's existing plants reached 4.013 million metric tons in 2020.

SR 7,3 billion

Saudi International Petrochemical Company (Sipchem) has a capital of SAR 7.3 billion.

The formation of Sahara International Petrochemical Company after the multibillion-dollar merger, brought together 35 years of combined operating experience, creating a diversified petrochemical portfolio across 24 affliates and subsidiaries.

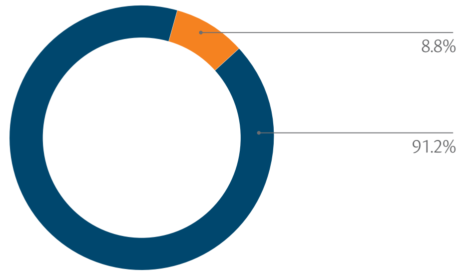
(Sipchem) is a Saudi public joint stock company listed on the Tadawul (Saudi Capital Market). Sipchem is actively investing in basic and intermediary petrochemical and chemical materials that can be utilized as feedstock for manufacturing of a vast array of products that provide prosperity and welfare for humans. Sipchem is committed to implementing its activities in compliance with the highest quality standards whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees and communities.

Sipchem selected Jubail Industrial City, located in the Eastern Province of Saudi Arabia, to establish its industrial complex on an area of 1,766,959 square meters, because of the availability of all required basic infrastructure, the abundance of raw materials and necessary petrochemical products in the Eastern Province and the ease of export operations via King Fahd Industrial Port and Jubail Commercial Port.

In 2020, Sipchem's existing manufacturing facilities produced 4.013 million metric tons. Net income amounted to SAR 176 Million in 2020 compared with SAR 299.5 Million in 2019 with a decrease of 41.3. Reason of declining profits of the Company during this year compared to the previous year is attributed to decline of sales revenues as a result of the low prices of most of Sipchem's products, and the decrease in production at the polypropylene plant due to unplanned shutdown and regular maintenance as previously announced. This decrease comes despite the relatively drop of average prices of some raw materials, and despite the contribution of Sipchem to profits for 12 months this year, as the contribution of Sipchem to profits was for only 7 months compared with the corresponding period of the last year.

Sipchem's strategy, planned to be implemented in gradual stages, aims at achieving integration of the current and future chemical products to create a chain of valuable final products. Such strategy will contribute to increasing the GDP and support the industrial development in light of the comprehensive development plans implemented by the kingdom, which at the end help maximizing the shareholders' profitability.

Establishment Date	:	1999
Company Type	:	Joint-Stock Company
Headquarters	:	Riyadh - Saudi Arabia
Capital	:	SAR 7,333,333,320 million
Company Activity	:	Petrochemical & Chemical Industries, Basic and Intermediate
Number of shares	:	733,333,332 shares



● Other Investors ● Zamil Group Holding Company

15. DESCRIPTION OF SIPCHEM ACTIVITIES (continued)

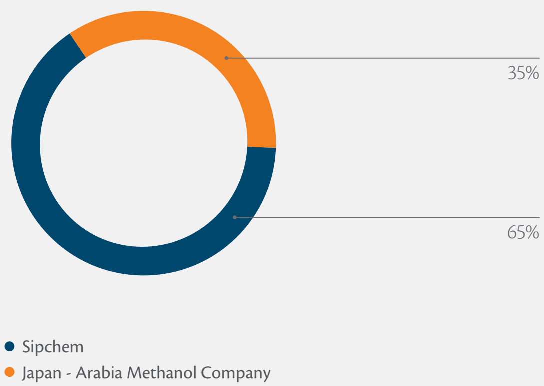
A description of the subsidiaries' activities and its impact on the size of Sipchem's business and its contribution to the results for 2020
Million Riyals

Activity	Revenues	Percentage
International Methanol Company	703.1	13.2%
International Diol Company	216.4	4%
International Acetyl Company Limited	179.2	3.3%
International Vinyl Acetate Company	789.9	14.8%
International Gases Company	101.1	1.9%
Sipchem Marketing Company	488.6	9.2%
International Polymers Company	921.7	17.3%
Sipchem Chemicals Company	476.5	9.0%
Gulf Advanced Cable Insulation Company	105.2	2%
Saudi Specialized Products Company	13.8	0.3%
Sipchem Advanced Technologies Company	35.7	0.7%
Sahara International Petrochemical Company	201.5	3.8%
Sahara Marketing Company	-	0.0%
Al WAHA Petrochemicals Company	1,090.3	20.5%
Total	**5,323**	**100.0%**

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES

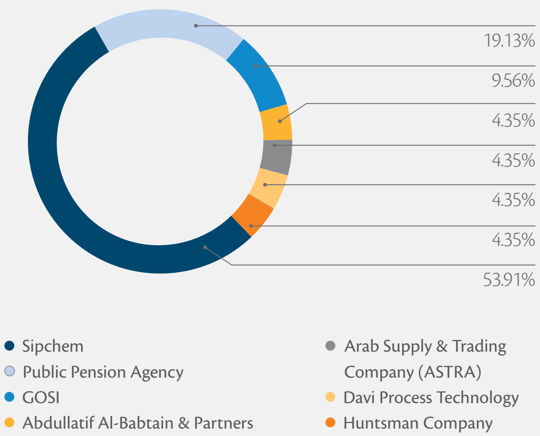
International Methanol Company

Establishment Date	:	2002
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 360,97 million
Company Activity	:	Production of Methanol (methyl alcohol)
Capacity	:	970 thousand mtpa



International Diol Company

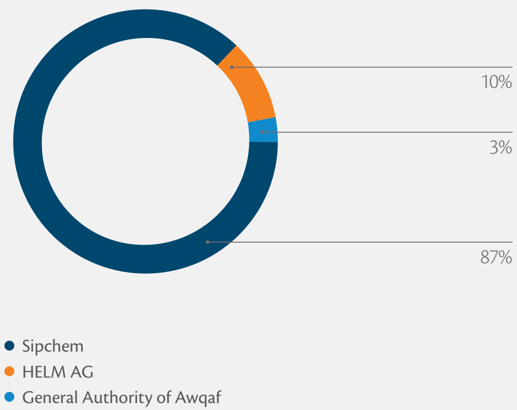
Establishment Date	:	2002
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 431,25 million
Company Activity	:	Production of Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF) and gamma-Butyrolactone (GBL)
Capacity	:	40 thousand mtpa of Maleic Anhydride (MAn) 5 thousand mtpa of gamma-Butyrolactone (GBL) 7,65 thousand mtpa of Tetrahydrofuran (THF) 50 thousand mtpa of Butanediol (BDO)



تأكد من أسماء الشركات

International Vinyl Acetate Company Ltd.

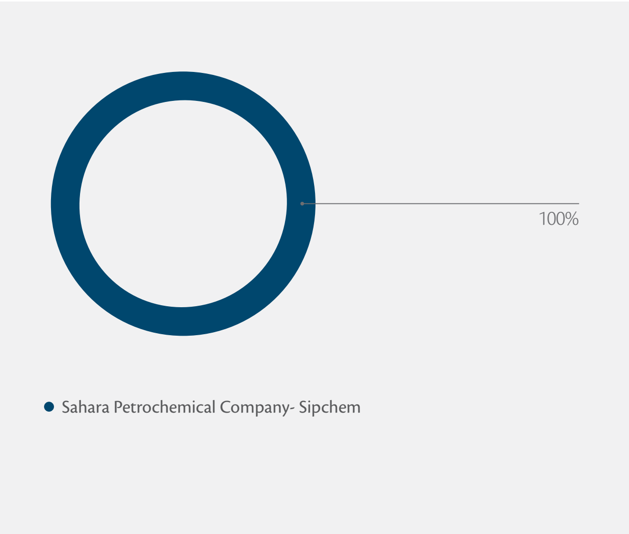
Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 676,000,000 million
Company Activity	:	Production of Vinyl Acetate Monomer
Capacity	:	330 thousand mtpa



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

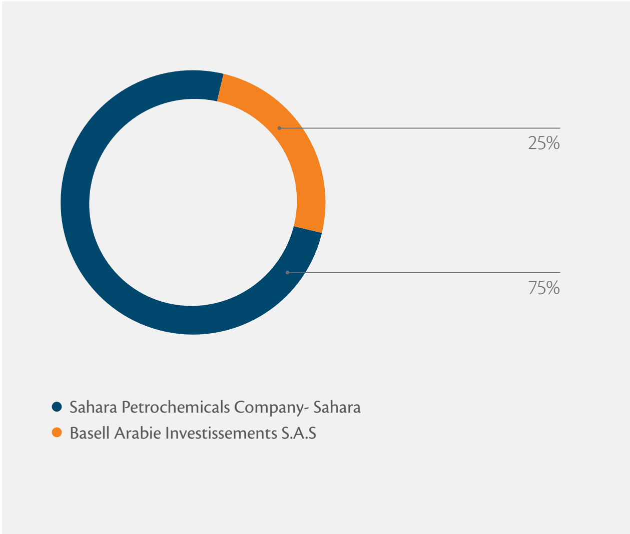
Sahara Petrochemicals Company

Establishment Date	:	2004
Company Type	:	Closed Joint Stock Company
Headquarters	:	AL-Khobar - Saudi Arabia
Capital	:	SAR 2,378,95 million
Company Activity	:	Petrochemical & Chemical Industries, Basic and Intermediate



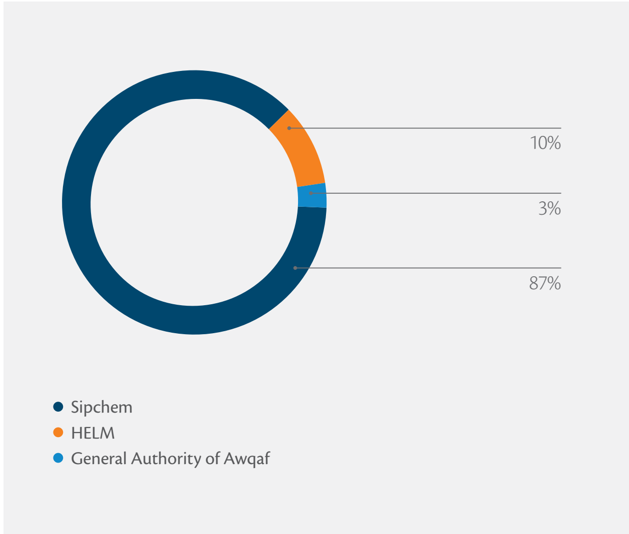
Al WAHA Petrochemical Company- AL WAHA

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 1,660,000,000 million
Company Activity	:	Production of Propylene and Polypropylene
Capacity	:	450,000 mtpa of Propylene 450,000 mtpa of Polypropylene 1,080 mtpa of caustic soda 150 mtpa of mixed liquid hydrocarbons



International Acetyl Company Limited

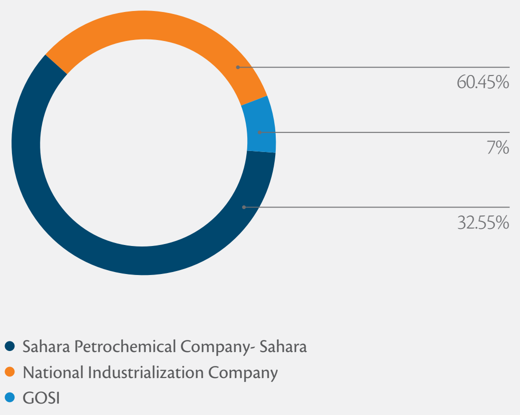
Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 1,003,000,000 million
Company Activity	:	Production of Acetic Acid (AA) and Acetic Anhydride (AAn)
Capacity	:	460,000 mtpa of Acetic Acid 50,000 mtpa of Acetic Anhydride



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Tasnee & Sahara Olefins Company (TSOC)

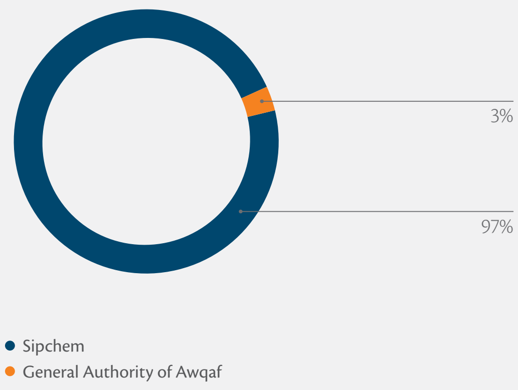
Establishment Date	:	2006
Company Type	:	Closed Joint Stock Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 2,830 million
Company Activity	:	Establishment, management, operation, ownership and investment in industrial projects, particularly petrochemical and chemical industries in addition to marketing their products and performing all related activities.



Sahara Petrochemical Company indirectly owns 24.41 of Saudi Ethylene & Polyethylene Company

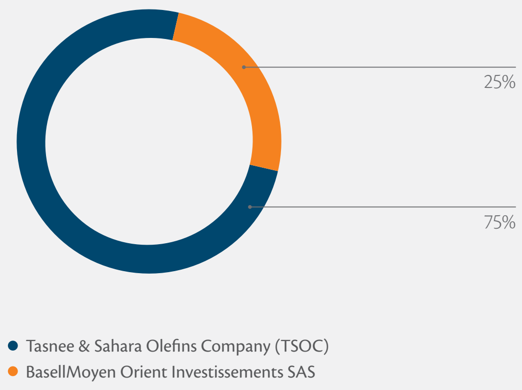
International Gases Company

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 425,4 million
Company Activity	:	Production of Carbon Monoxide and Hydrogen
Capacity	:	345,000 mtpa of Carbon Monoxide 65,000 mtpa of Hydrogen



Saudi Ethylene and Polyethylene Company (SEPC)

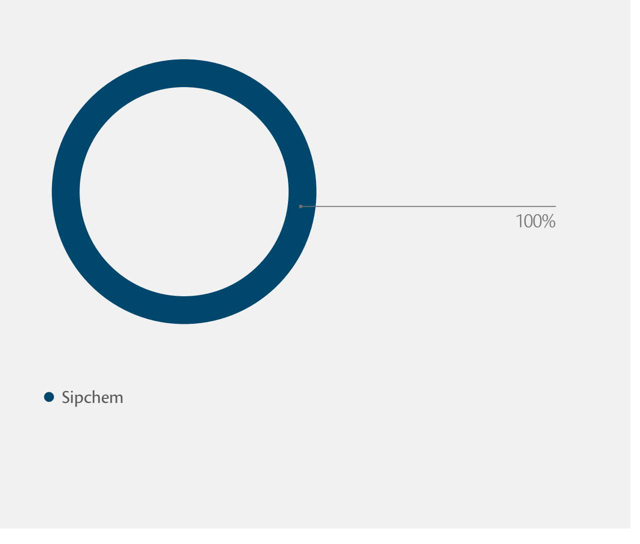
Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 2,737,500,000
Company Activity	:	Production of propylene, ethylene, high density polyethylene and low density polyethylene.
Capacity	:	284.8 thousand mtpa of Propylene 1,008 thousand mtpa of Ethylene 800 thousand mtpa of polyethylene



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

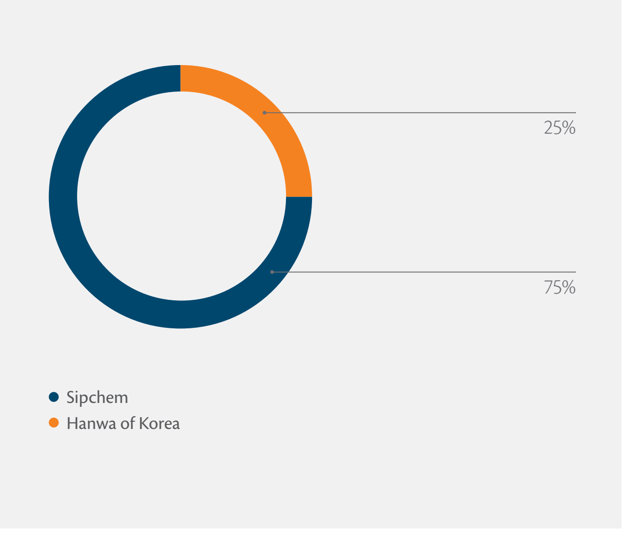
Sipchem Marketing Company

Establishment Date	:	2007
Company Type	:	Limited Liability Company
Headquarters	:	Al-Khobar - Saudi Arabia
Capital	:	SAR 2,000,000
Company Activity	:	Marketing and sales of petrochemicals and plastics.



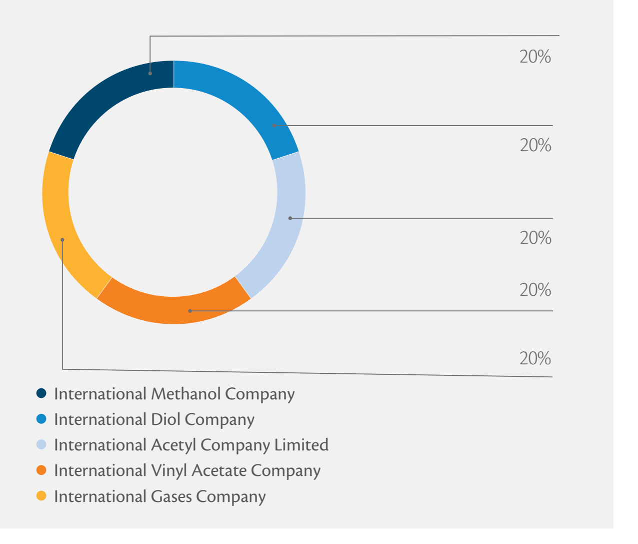
International Polymers Company

Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 703,2 million
Company Activity	:	Production of Polyvinyl acetate, Polyvinyl alcohol, polyethylene wax, Low Density Polyethylene and ethylene and vinyl acetate copolymers.
Capacity	:	200,000 mtpa of ethylene and vinyl acetate copolymers. 125,000 mtpa of Polyvinyl acetate 4,000 mtpa of Low Density Polyethylene 4,000 mtpa of Polyvinyl alcohol 200 mtpa of polyethylene wax



Inte rnational Utilities Company (IUC)

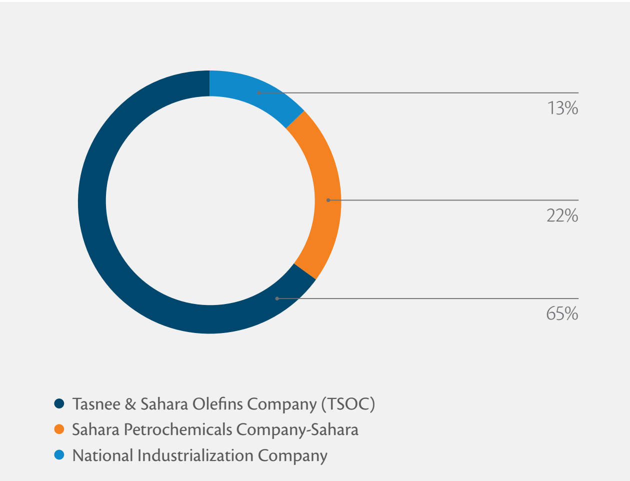
Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 2,000,000
Company Activity	:	Management, operation and maintenance of utilities and facilities for Sipchem's subsidiaries.



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Saudi Acrylic Acid Company (SAAC)

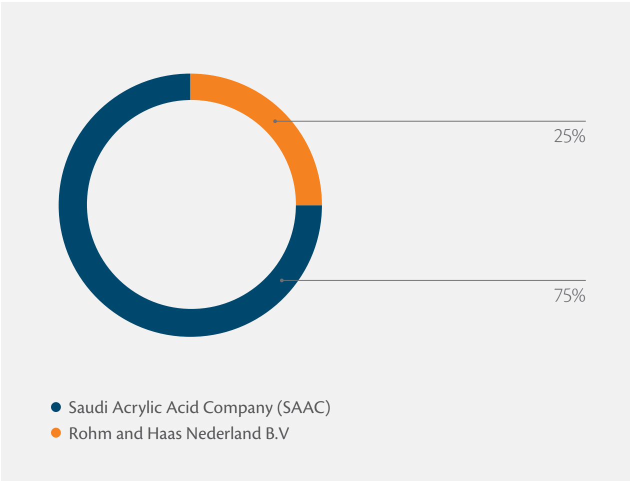
Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 1,777 million
Company Activity	:	Establishment, management, operation and ownership of acrylic acid and its derivatives production projects, and petrochemical and chemical industrial projects.



Based on Sahara Petrochemical Company's ownership percentage in TSOC which is 32.55%, Sahara holds indirectly additional ownership percentage of 21.16 in Saudi Acrylic Acid Company (SAAC), thus is reflected in Sahara's total equity to be 43.16%.

Saudi Acrylic Monomer Co. Ltd. (SAMCO)

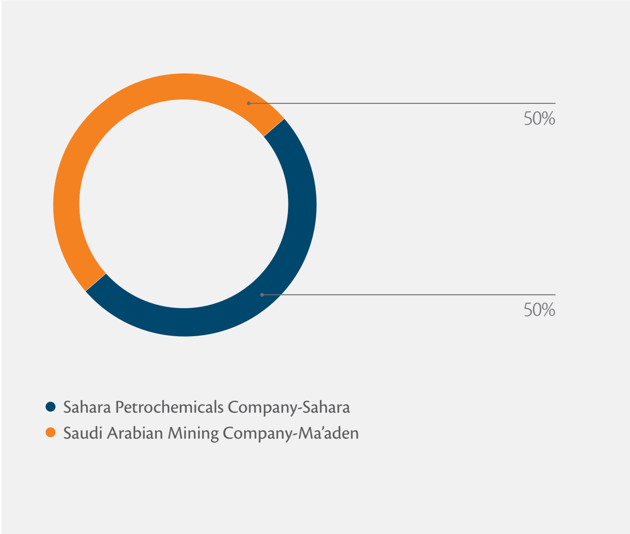
Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 1,084,5 million
Company Activity	:	Acrylic Acid, Butyl Acrylic, Diethylhexyl Acrylic, Glacial Acrylic Acid
Capacity	:	160 thousand mtpa of Butyl Acrylic 64 thousand mtpa of Glacial Acrylic Acid



Based on Sahara Petrochemical Company's ownership percentage in Saudi Acrylic Acid Company (SAAC), which is 43.16%, Sahara holds indirectly additional ownership percentage of 32.37%, in Saudi Acrylic Monomer Co. Ltd. (SAMCO).

Sahara & Ma'aden Petrochemicals Company (SAMAPCO)

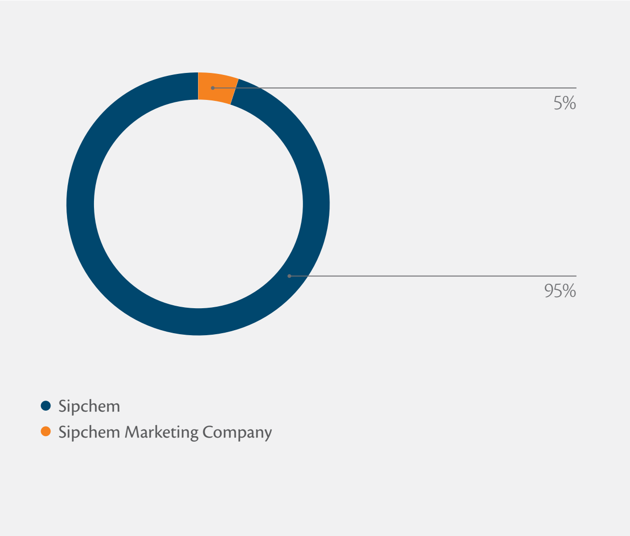
Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 900,000,000
Company Activity	:	Production of caustic soda, chlorine, and Ethylene Dichloride (EDC)
Production Capacity	:	300,000 mtpa of Ethylene Dichloride (EDC) 250,000 mtpa of caustic soda



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

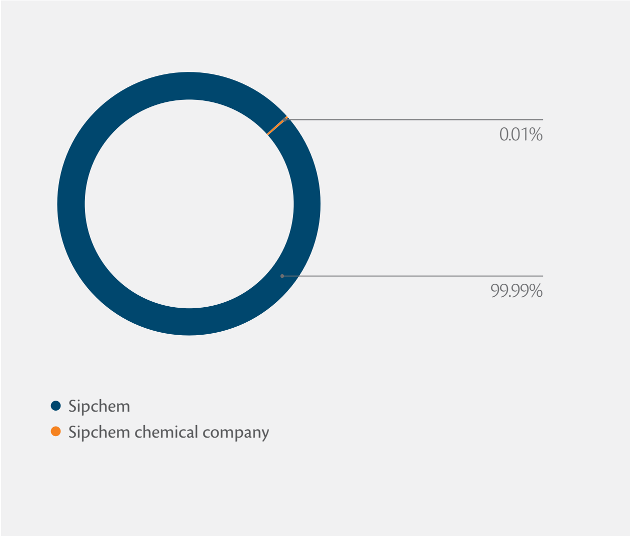
Sipchem Chemicals Company

Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 266,000,000
Company Activity	:	Production of ethyl acetate / butyl acetate, polybutylene terephthalate and tetrahydrofuran
Production Capacity	:	100,000 mtpa of ethyl acetate 50,000 mtpa of n-Butyl Acetate 68,000 mtpa of polybutylene terephthalate 3,568 mtpa of tetrahydrofuran



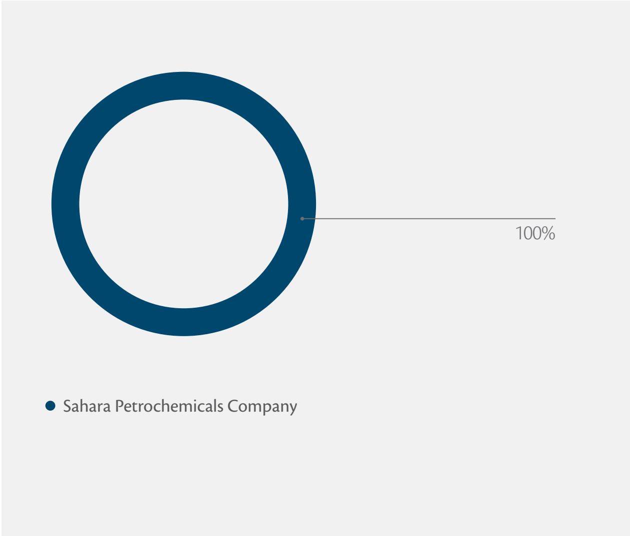
Sipchem Europe Cooperative UA and its Subsidiaries

Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Lottery - Switzerland
Capital	:	SF 1,000,000
Company Activity	:	Providing administrative support in marketing and logistics activities



Promising Business Company

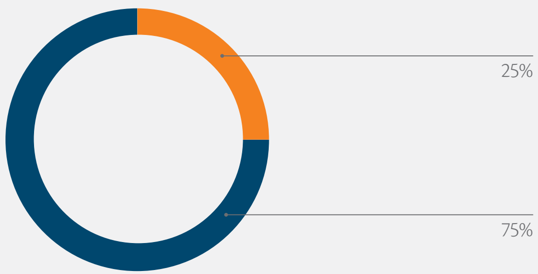
Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 700,000
Company Activity	:	Wholesale of chemical fertilizers



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Saudi Acrylic Polymer Company (SAPCO)

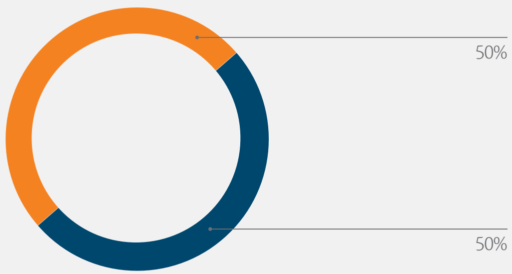
Establishment Date	:	2012
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 416,400,000
Company Activity	:	Ownership, management and operation of super absorbent polymers plant within the integrated acrylics complex project
Capacity	:	80 thousand mtpa of super absorbent polymers



By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAPCO.

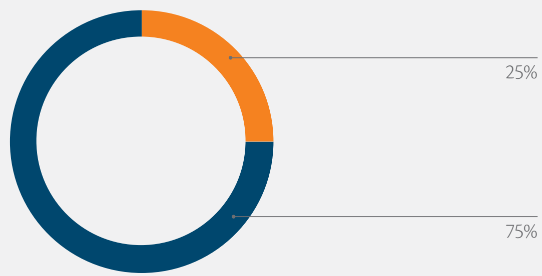
Gulf Advanced Cable Insulation Company

Establishment Date	:	2012
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 57,240,000
Company Activity	:	Cable insulation polymers products
Production Capacity	:	25 thousand mtpa



Saudi Specialized Products Company (Wahaj)

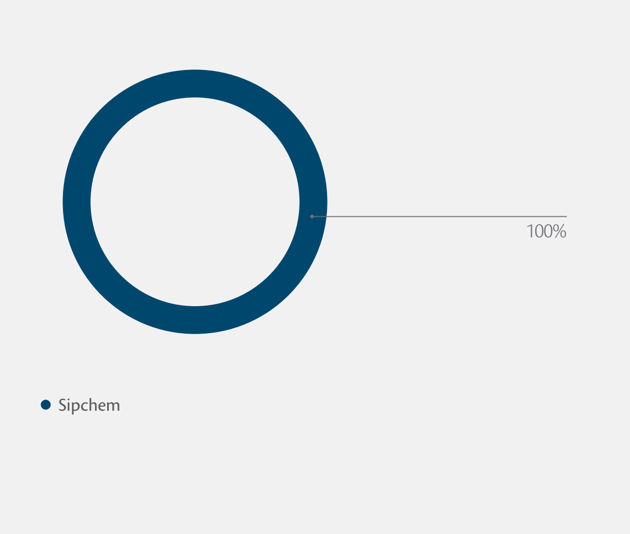
Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Riyadh - Saudi Arabia
Capital	:	SAR 56,320,000
Company Activity	:	Production of metal molds used for plastics industries andmaintenance of metal molds in addition to producing transparent films.
Capacity	:	5000 mtpa



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

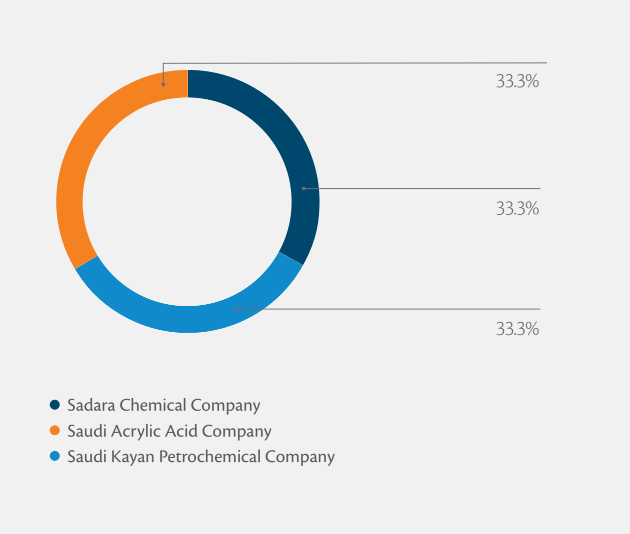
Sipchem Asia Pte Ltd

Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Singapore
Capital	:	SAR 752,970
Company Activity	:	Marketing Sipchem's products in Asia



Saudi Butanol Company (SABUCO)

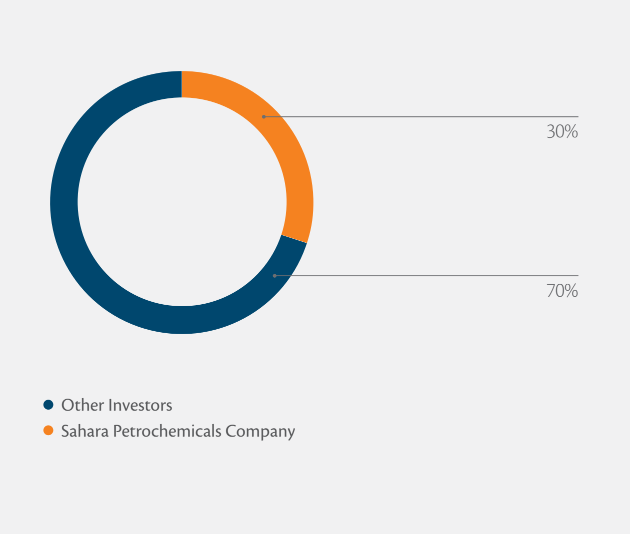
Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 486,000,000
Company Activity	:	Production of n-butanol and isobutanol
Capacity	:	330 thousand mtpa of n-butanol 11 thousand mtpa of iso-butanol



By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 14.38% in SABUCO.

Khair Inorganic Chemical Industries

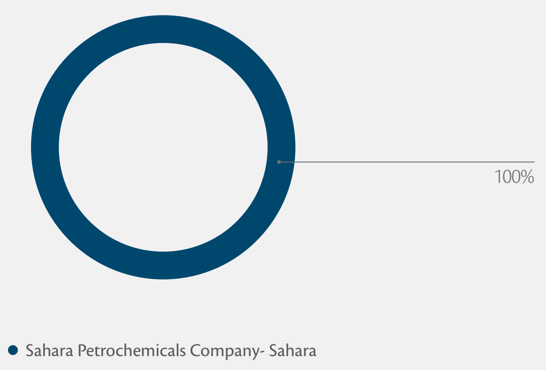
Establishment Date	:	2016
Company Type	:	Closed Joint Stock Company
Headquarters	:	Ras Al-Khair - Saudi Arabia
Capital	:	SAR 800,000,000
Company Activity	:	Production of soda and sodium chloride
Capacity	:	300,000 mtpa of Soda Ash 384,000 mtpa of sodium chloride



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

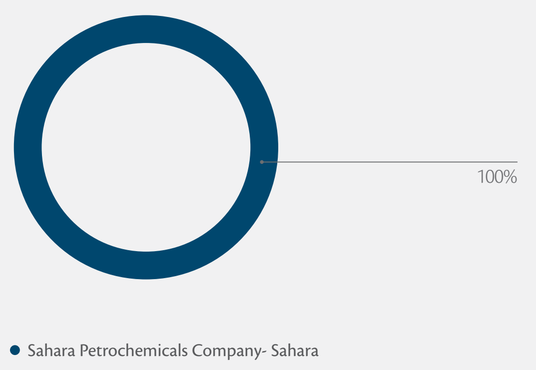
Sahara Marketing Company

Establishment Date	:	2016
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 500,000
Company Activity	:	Marketing and sales of petrochemicals and plastics.



Saudi Advanced Technologies Company

Establishment Date	:	2018
Company Type	:	Limited Liability Company
Headquarters	:	Riyadh - Saudi Arabia
Capital	:	SAR 5,000,000
Company Activity	:	Metal formation by hammering, pistons, casting, rolling, making structures for motor vehicles, making parts, accessories and engines for motor vehicles.



16. A Description of Sipchem's Significant Plans and Decisions

The Company continues to explore various investment opportunities by taking advantage of the synergies created by the merger by increasing the capacity of existing plants, reducing costs through the digital transformation across supply chains, value chains and others, and by developing new projects that may involve other acquisitions and mergers inside and outside KSA that increase Sipchem's various products, boost profitability and create new business opportunities.

2020 was an exceptional year for the extent of challenges that have befallen the global economy as a result of the Coronavirus (Covid-19) pandemic. Thankfully, Sipchem formed a committee to follow up on the implementation of the crisis management to ensure that preventive and precautionary health measures are followed to maintain safety of employees and continuation of production. With the support of the Board, Sipchem played a major and leading role during COVID-19 pandemic. Sipchem, in collaboration with the Ministry of Industry and Mineral Resources and Sadara Chemical Company, converted industrial ethanol into a product suitable for medical uses. Through this contribution, Sipchem provided 150,000 liters of ethanol to produce and donate hand sanitizers to the Ministry of Health.

17. Information on Any Risks Faced by Sipchem

Risk management is an integral part of Sipchem's strategy in order to achieve long- and short-term objectives. The objective of risk management is to ensure that Sipchem can effectively implement its strategies and realize its objectives, identify risks that limit Sipchem's ability to reach its objectives, and determine whether these risks are at a low and manageable level.

The Board, as part of its role in providing strategic oversight and supervision of the Company, is responsible for protecting investors' interests by maintaining an effective risk management and internal control system. The Executive Risk Management Committee is fostering a culture of risk management using leading standards through risk management. Accordingly, the concerned department shall implement, identify, evaluate and develop appropriate procedures for dealing with risk management practices in related activities or risks that may affect the organizational strategy.

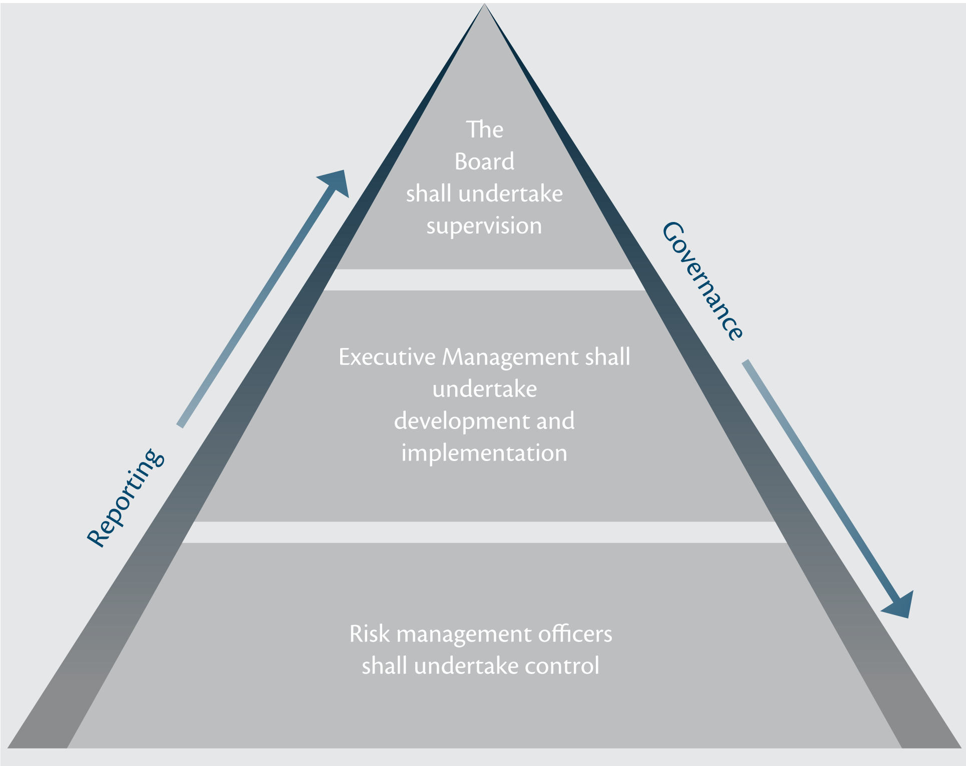
Sipchem has developed a broad risk management framework in line with the leading practices and has widely informed the Board about related risks.

The main activity of risk management is to educate the Company as a whole about the agreed level of risks; including:

- Understand the risk environment, assess the qualitative risks and the likelihood that the Company will be exposed to such risks.
- Determine how best to deal with such risks.
- Manage identified risks in appropriate ways.
- Emphasize the effectiveness of managing such risks and, where necessary, rapid intervention to improve such effectiveness.
- Periodically inform Management and the Board of the seriousness with which risks are managed, controlled and improved.

17. Information on Any Risks Faced by Sipchem (continued)

Based on the leading practices and regulations of CMA, Sipchem's governance structure of the risk management system is as follow:



1. Implementation of the Risk Management System and Organizational Structure:

Sipchem's Board of Directors has assigned the responsibility of Sipchem's risk management systems and processes to the Board Audit Committee. The Audit Committee shall be responsible for developing and implementing risk management systems and processes as a framework for the Company. The Internal Risk Management Executive Committee is chaired by the CEO, while the key roles of senior management are assigned to the Committee members. Sipchem's risk management functionally reports to the Risk Management Audit Committee and shall be responsible for:

- Risk reporting.
- Conducting periodic risk assessments with business entities and subsidiaries.
- Coordinating all risk management activities within the Company.
- Reviewing risks faced by subsidiaries.
- Coordinating with subsidiaries on the implementation of risk management practices.
- Maintaining risk management policy and describing how to report risks.

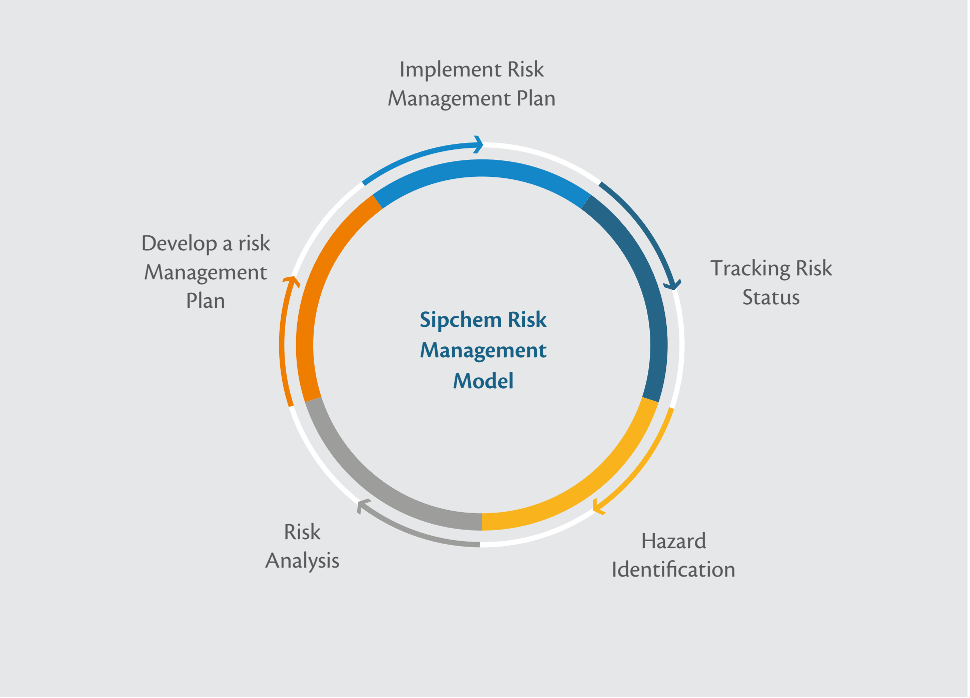
17. Information on Any Risks Faced by Sipchem (continued)

2. Sipchem's Risk Management Policies and Practices:

Sipchem relies on a company-wide risk management policy approved by the Board, which identifies and formalizes risk management guidelines and practices, reporting procedures, and preparation of related reports.

Subsidiaries are responsible for risks as much as they are responsible for the revenues, and therefore the responsibility for managing risks shall be assumed by the management teams of subsidiaries as well as the managers. The risk management process controls exposures through using risk surveys, assessments, remedies, reporting and monitoring, including reporting of associated risks. Sipchem's risk management framework has been developed and implemented based on continuous practices and improvements through various ongoing initiatives.

Below is a diagram showing the continuously implemented risk management system:



3. Risk factors of Sipchem and its subsidiaries:

Sipchem incurs a number of risks that may affect operational and financial performance thereof. There is no certainty that risk management activities will prevent emergence of such risks. However, the management shall closely monitor such risks while taking preventive measures and controls to address the same. The following are some of the main risk factors that are being addressed:

A. Manpower Risks

Due to the large petrochemical projects in Saudi Arabia and GCC, Sipchem or its subsidiaries may not be able to retain key employees or may not continue to attract key personnel with skills and experience, which could result in a shortage of skilled labour or constitutes an obstacle to Sipchem's ability to maintain the necessary human resources.

B. Products Prices Risks

Sipchem works in international products markets in which it sells or intends to sell its products, and the prices of these products move mainly by global supply and demand factors. They are affected by fluctuations in world prices for oil and gas. Therefore, any significant change in the market conditions and oil and gas prices might affect Sipchem's future prospects. The oil and gas markets are historically volatile, and is currently less than historical levels.

C. Funding Risks

Sipchem relies essentially on its ability to secure loans at favorable conditions as the Board believes from commercial banks and non-commercial bodies to finance current and future projects that require large capital investments or contribution to the financing of these projects. However, if Sipchem or its subsidiaries in the future fail to get funding or become unable to meet the current funding obligations (including compliance with commitments and the ratios), the financial performance of Sipchem or its ability to expand business may be affected negatively.

D. Feedstock Supply Risks

Sipchem got from Saudi Aramco commitments for supply and delivery of natural gas and some other raw materials to its subsidiaries based on the procedures applicable by the Saudi Aramco for the purchasing companies for those products in the Kingdom. There are limits of Saudi Aramco's commitment to control the supply of natural gas and other raw materials. If either Sipchem's subsidiary does not receive the agreed quantity of natural gas or other raw materials, by Saudi Aramco or other parties or the parties raise the price value of raw materials, it is likely to negatively affect the subsidiary. If the parties are unable to provide the raw materials required to fulfill their obligations, Sipchem's subsidiary will not be able to produce planned quantities of petrochemical products and cannot fulfill its obligations relating to sales, which would adversely affect the performance of Sipchem.

17. Information on Any Risks Faced by Sipchem (continued)

E. Technology Risks

Petrochemical industry technologies and processes are evolving continuously worldwide. Hence, any substantial technological development may make the techniques and processes currently used by any of Sipchem's subsidiary non-competitive and may negatively affect Sipchem's competitiveness position. Sipchem has worked to try to reduce this risk through proven techniques acquired from leading global companies in the petrochemical industry.

F. Operational Risks

Uninterrupted operation of plants depends largely on the performance, the validity and reliability of machinery and equipment used in manufacturing products. Therefore, any sudden or unexpected malfunction or interruption in such machinery, equipment or ineffective operation, shutdown or disruption of any part of the production process may lead to a reduced level of efficiency of the plant and delayed production. Sipchem's subsidiaries implement periodic maintenance programs and training courses for their employees, in addition to providing the appropriate insurance coverage to reduce these risks and their consequences.

G. Projects Integrity Risks

Due to implementation of product integration strategy, and resulting interdependence and complementarity between the activities of subsidiaries, current and future projects, that are interrelated, are at risk of shortages in the supply of raw materials in the event that any of the subsidiaries fails to fulfill its obligations towards other subsidiaries, which in turn could adversely and substantially affect the operational performance of the concerned subsidiary or Sipchem's performance.

H. Construction & Completion Risks

When developing new projects, Sipchem hires contractors and vendors that believes they are known and have a high reputation for building plants and manufacturing facilities, but the risk of exceeding the estimated cost and delay in completion due to the reliance on third parties to build and accomplish projects could negatively affect Sipchem's operations and financial position.

I. Off-take Agreements Risks

Sipchem's subsidiaries concluded a number of long-term off-take agreements with various parties regarding the sale of their products. Accordingly, as long as the subsidiaries are required meet their obligations under these agreements, the subsidiaries remain vulnerable to the risk of shortage of long-term supplies for these agreements. In addition, in the event of offtaker's default or failure to fulfill its obligations, the financial performance of subsidiary may be affected negatively as a result.

J. Insurance Risks

Sipchem and its subsidiaries maintain what they believe is sufficient insurance to cover the various stages of the projects being implemented as well as their operations. However, there is no confirmation that the insurance cover would be sufficient in all cases. For example, future events may not have sufficient insurance coverage, or may not be covered by insurance, thus affecting Sipchem and its subsidiaries.

K. Exchange Rate Risks

Any negative change of any of the USD Dollar, Euro or other currencies shall have detrimental effect on Sipchem's results. As the payment of the products value or the EPC contracts with foreign suppliers is made in US Dollar or Euro according to various purchasing agreements, any exchange rate fluctuation of these currencies versus the Saudi Riyal could have a material adverse effect on Sipchem's results. Accordingly, Sipchem adopted some preventative measures to reduce the impact of exchange rate fluctuation risks.

L. Environmental Risks:

Sipchem and its subsidiaries are subject to environmental protection laws and regulations applicable in Saudi Arabia including General Environmental Regulations and Rules for Implementation, and the environment regulations of the Royal Commission for Jubail and Yanbu. General Environmental Regulations require reporting on the environmental effects of projects under the requirements of licensing and approval procedures by the General Presidency of Meteorology and Environment Protection and Ministry of Commerce and Investment. General Environmental Regulations also allow for imposition of fines and penalties due to the emission of dangerous or toxic materials and imposition of fine and damages arising from any environmental violations.

Sipchem and its subsidiaries' projects were designed, built, and operated in accordance with the General Environmental Regulations and Rules for Implementation, and the environment regulations of the Royal Commission for Jubail and Yanbu. Sipchem and its subsidiaries obtained required approvals and are applying appropriate waste treatment systems and prevention of accidents procedures. However, the discovery of environmental conditions that were previously unknown, or the issuance of stricter environmental standards than the General Presidency of Meteorology and Environment Protection or the Royal Commission for Jubail and Yanbu or imposition of new regulations or changes in the interpretation of laws and regulations could lead to Sipchem's decision to apply additional actions, which may lead to increased costs and obligations of Sipchem.

17. Information on Any Risks Faced by Sipchem (continued)

M. Competition Risks

The markets in which Sipchem sells its products are highly competitive in general and subject to the forces of supply and demand on a global level. These markets are characterized by a high degree of volatility, in addition to the fact that many new companies entered the market while other companies undertook significant expansions in production capacities in order to benefit from the opportunities of quantitative economy and cost savings through the intensification of production, thereby leading to rising levels of supply and competition in the market. Accordingly, the higher levels of competition and volatility may lead to excess global production capacity, which may expose Sipchem to face substantial accumulation of stocks or lower sales and prices in some cases.

N. Laws and Regulations Risks

Sipchem works in an organized environment, which is subject to specific regulations. So far, in principle, these regulations include the requirement to obtain a license to operate and therefore, in the event of any change in these regulations (including issuance and imposition of new regulations), Sipchem may be adversely affected and may have to incur significant capital expenditures to comply with these statutory changes.

O. Production and Transportation of Hazardous Materials Risks

Sipchem's production processes include the processing of natural gas and other gases, raw materials (including chemical raw materials) to produce petrochemicals. Petrochemicals, waste gas and resulting materials are by nature inherently highly inflammable hazardous materials. The nature of production processes of Sipchem expose it to high risks of incidents involving explosions and fires. Also, Sipchem's operations are vulnerable to operational risks which are common in the petrochemical sector, including interruption of voltage feed, or technical malfunctions or other accidents.

P. Investments Related Factors

As the economic and legal environment in Saudi Arabia remains subject to constant change, investors face uncertainty with regard to guaranteeing their investments. Sipchem's operations in Saudi Arabia are exposed to common risks, including supervisory control development, inflation, changes in disposable income or GDP, changes in commission rates, levels of economic growth, and other similar factors, noting that many of these factors are beyond the control of Sipchem. Social or economic developments in the Kingdom or neighboring countries or other countries in the region may lead to a substantial negative impact on business, financial position, results of operations and cash flows of Sipchem.

Q. Credit risks:

Credit risk is the inability of one party to fulfill its obligations causing financial losses to the other party. Sipchem seeks to manage credit risk related to customers by monitoring outstanding receivables. Besides, Adequate provisions are also made against doubtful debts. Sipchem holds the cash in high credit rated local banks.

R. Liquidity Risks

Liquidity risk is the risk where Sipchem will encounter difficulty in raising funds to meet obligations associated with financial instruments. Liquidity risk may arise from the Group's inability to sell a financial asset quickly at an amount close to its fair value. Sipchem works to reduce liquidity risk by managing working capital by ensuring the availability of bank facilities.

S. Interest Rate Risk

Interest rate risk is represented in fluctuations in the value of financial instruments as a result of changes in interest rates in the market. The Group is exposed to interest rate risk on its interest bearing liabilities represented in assets, including bank deposits, liabilities that include short-term and long-term loans, sukuk and obligations under capital lease contracts. Management monitors changes in interest rates and considers that interest rate risk is not material to the Company.

18. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years

The key financial indicators for the year 2020 compared to the previous year are as follows:

- Revenues reached SAR 5,323.0 million during the year 2020 compared to SAR 5,439.7 million for the previous year with a reduction of 2.1%.
- Total profit reached SAR 1,172.9 million during the year 2020 compared to SAR 1,635.2 million for the previous year, with a reduction of 28%.
- Profit from operations amounted to SAR 359.6 million during the year 2020 compared to SAR 906.3 million for the previous year , with a reduction of 60% .
- Net profit reached SAR 175.8 million during the year 2020 compared to SAR 299.5 million for the previous year, with a reduction of 41%.
- Earnings per share reached SAR 0.24 during the year 2020 compared to SAR 0.52 for the previous year.

Assets, liabilities and operating results for the last five financial years

Consolidated statement of financial position (Million Riyals)

	2020	2019	2018	2017	2016
Non-current assets	**18,792**	19,863	12,380	12,342	12,494
Current assets	**4,973**	4,128	3,000	3,638	3,309
Total assets	**23,765**	23,991	15,380	15,980	15,803
Equity and non-controlling interests	**13,836**	14,338	7,125	7,211	6,685
Non-current liabilities	**6,464**	7,722	6,330	6,928	7,023
Current liabilities	**3,465**	1,931	1,925	1,841	2,095
Total liabilities and equity	**23,765**	23,991	15,380	15,980	15,803

A description of the impact of each activity on the size of Sipchem business and its contribution to the results:

Sectorial Analysis: The Company operates in the following sectors:

- **Basic chemicals:** They include Methanol, Butane products and Carbon Monoxide.
- **Intermediate chemicals:** They include Acetyl Acid, Vinyl Acetate Monomers, Ethyl Acetate, Butyl Acetate and related materials.
- **Polymers:** These include low density Polyethylene, Polyvinyl acetate, Polyvinyl Alcohol, and Polybutylene Terephthalate, electrical wire products plant including polypropylene sector.
- **Marketing:** It includes Sipchem Marketing Co. and its foreign subsidiaries as shown in figure No. 1 It also includes the sales of petrochemical products, mainly polypropylene, of Sahara Petrochemical Company.
- **Companies and others:** This include Sipchem, Ethylene Vinyl Acetate Films Plant and Tool Manufacturing Plant. This sector also constitutes empowerment and support activities departments in Sahara.

18. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

(Million Riyals)

	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Companies and others	Exclusion upon merger	Total
For the year ended 31 Dec. 2020							
Revenues	1,692	2,232	2,334	3,664	49	(4,648)	5,323
Total profit	618	(72)	455	154	(6)	25	1,172
Operating profit	349	(307)	237	101	(72)	51	360
Dividend in joint ventures and associate companies	-	-	-	-	(34)	-	(34)
Profit before Zakat and income tax	208	(59)	143	100	(137)	(71)	185
Total assets	3,772	5,374	7,245	1,227	25,249	(19,101)	23,765
Total liabilities	2,275	2,423	3,235	824	5,248	(4,075)	9,929
Capital expenses	115	134	122	340	144	-	515.4
For the year ended 31 Dec. 2019							
Revenues	1,840	2,326	2,586	2,905	144	(4,361)	5,440
Total profit	789	78	629	121	(18)	36	1,635
Operating profit	506	(52)	397	70	(80)	66	906
Dividend in joint ventures and associate companies	-	-	-	-	(27)	-	(27)
Profit before Zakat and income tax	189	(244)	188	70	191	(4)	390
Total assets	3,976	5,557	7,408	935	25,565	(19,450)	23,991
Total liabilities	1,951	2,417	3,363	578	5,130	(3,787)	9,653
Capital expenses	302	266	32	0.5	72	-	673

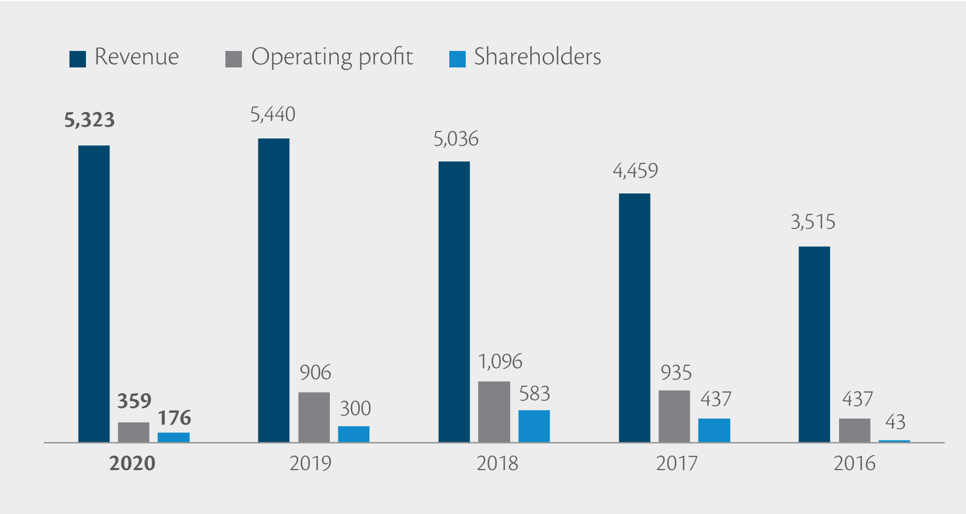
18. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

Consolidated statement of profit and/or loss (Million Riyals)

	2020	2019	2018	2017	2016
Income	5,323	5,440	5,036	4,459	3,515
Cost of sales	(4,150)	(3,805)	(3,401)	(3,033)	(2,645)
Total profit	**1,173**	**1,635**	**1,635**	**1,426**	**861**
Selling and distribution costs	**(395)**	(315)	(197)	(200)	(205)
General and administrative expenses	(419)	(414)	(342)	(291)	(219)
Operating profit	**360**	**906**	**1,096**	**935**	**437**
Finance income	26	60	28	22	38
Finance costs	(294)	(370)	(263)	(298)	(288)
Other (Expenses)/ income, net	126	(179)	6	12	(22)
Dividend in joint ventures and associate companies	(33)	(27)	-	-	-
Profit before Zakat and income tax	**185**	**390**	**867**	**671**	**165**
Cost of Zakat and income tax	(128)	(145)	(116)	(84)	(73)
Profit for the year	**57**	**245**	**751**	**587**	**92**
Profit yields to:					
Equity	**176**	**300**	**583**	**437**	**43**
Non- controlling interests	(119)	(55)	168	150	49
Earnings per share from net profit yields to shareholders	0.24	0.52	1.59	1.19	0.12

18. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

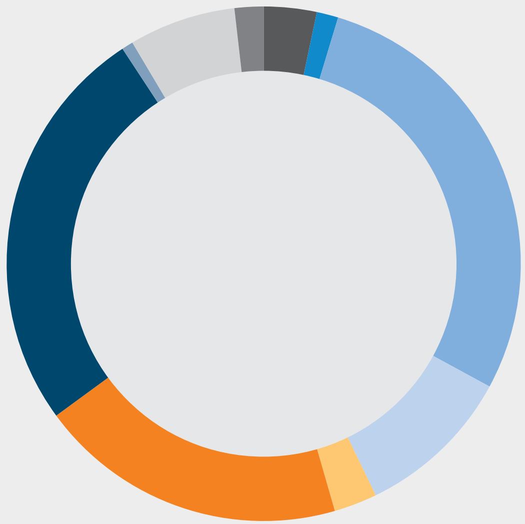
Evolution of sales, operating profit and net profit for the last five years (Million Riyals)



Profit for this year of Sahara International Petrochemical Co. includes contribution of profit for twelve months from Sahara Petrochemical Co. after merger compared to seven months for the last year.

19. Geographical Analysis of Sales of Sipchem and its subsidiaries

Sipchem's products are marketed and sold in all local markets, Middle East markets and international markets. The following chart shows the geographical distribution of Sipchem's sales during 2020:



INTER-COMPANY SALE	26%	AMERICAS	1%
INDIAN SUB-CONTINENT	19%	AFRICA & ME	3%
GCC	3%	TURKEY	2%
EUROPE	10%	Saudi Arabia	7%
ASIA	28%	OCEANIA	1%

20. Significant differences in operating results from previous year results:

STATEMENTS	2020	2019	Change +/-	% of change
Sales/ Revenue	**5,232**	5,440	(117)	(2.1)%
Total profit	**1,173**	1,635	(462)	(28)%
Operating profit	**360**	906	(546)	(60)%
Net profit yields to shareholders	**176**	300	(124)	(41)%

In 2020, Sipchem achieved a net profit of SAR 176 million compared to SAR 300 million in 2019. The main reason for the decline in net profit is the decline in sales revenues during this year compared to the previous year as a result of lower sales prices for most of Sipchem's products in addition to the decrease in production in the polypropylene Plant, due to the unplanned closure and scheduled maintenance as previously announced.

Moreover, an impairment of two cash generating units amounted to SAR 280 million was recorded in 2020's financial results related to the International Diol Company's Plant (amounted to SAR 100 million) and the Ethylene Vinyl Acetate Film Plant of Saudi Specialized Products Company (amounted to SAR 180 million).

This decrease comes despite the relatively drop of average prices of some raw materials, and despite the contribution of Sipchem to profits for 12 months this year, as the contribution of Sipchem to profits was for only 7 months compared with the corresponding period of the last year.

21. Clarification of any difference for the accounting standards approved by the Saudi Organization for Certified Public Accountants (SOCPA)

There is no difference from the approved accounting standards.

22. Each subsidiary's name, share capital, percentage of Sipchem's shareholding therein, main activity, country of operations, and country of incorporation

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
International Methanol Company	361	**65%**	Production of Methanol (methyl alcohol)	KSA	KSA
International Diol Company	431	53.91%	Production of Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF) and gamma-Butyrolactone (GBL)	KSA	KSA
Sahara Petrochemicals Company	2,388	100%	It operates as a holding company whose main activity is concentrated in the petrochemical sector	KSA	KSA
International Vinyl Acetate Company Ltd.	676	87%	Production of Vinyl Acetate Monomer	KSA	KSA
Al WAHA Petrochemicals Company	**1,660**	**75%**	Production of propylene and polypropylene	KSA	KSA
International Acetyl Company Limited	**1,003**	87%	Production of Acetic Acid (AA) and Acetic Anhydride (AAn	KSA	KSA
Tasnee & Sahara Olefins Company (TSOC)	**2,830**	**32.55%**	Establishment, management, operation, ownership and investment in industrial projects, particularly petrochemical and chemical industries in addition to marketing their products and performing all related activities.	KSA	KSA

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
International Gases Company	**425**	**97%**	Production of carbon monoxide and hydrogen	KSA	KSA
Saudi Ethylene and Polyethylene Company (SEPC)	**2,737.5**	**24.41%**	Production of propylene, ethylene, high density polyethylene and low density polyethylene.	KSA	KSA
Sipchem Marketing Company	**2**	**100%**	Marketing and sales of petrochemicals and plastics	KSA	KSA
Saudi Acrylic Acid Company (SAAC)	**1,777**	**43.16%**	Establishment, management, operation and ownership of acrylic acid and its derivatives production projects, and petrochemical and chemical industrial projects.	KSA	KSA
Saudi Acrylic Monomer Co. Ltd. (SAMCO)	**1,084.5**	**32.37%**	Production of acrylic acid derivatives: - Acrylic Acid - Butyl Acrylic - Diethylhexyl Acrylic - Glacial Acrylic Acid	KSA	KSA

22. Each subsidiary's name, share capital, percentage of Sipchem's shareholding therein, main activity, country of operations, and country of incorporation (continued)

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
International Utilities Company (IUC)	2	100%	Management, operation and maintenance of utilities and facilities for Sipchem's subsidiaries.	KSA	KSA
International Polymers Company	703	75%	Production of Polyvinyl acetate, Polyvinyl alcohol, polyethylene wax, Low Density Polyethylene and ethylene and vinyl acetate copolymers.	KSA	KSA
Saudi Acrylic Polymer Company (SAPCO)	416.4	32.37%	Ownership, management and operation of super absorbent polymers plant within the integrated acrylics complex project	KSA	KSA
Sahara & Ma'aden Petrochemicals Company (SAMAPCO)	900	50%	Design, construction, ownership and operation of an integrated plant for production of chlorine, caustic soda, and ethylene dichloride	KSA	KSA
Sipchem Chemicals Company	266	95%	Production of ethyl acetate / butyl acetate, polybutylene terephthalate and tetrahydrofuran	KSA	KSA
Sipchem Europe Cooperative UA and its Subsidiaries	SF 1,000,000	99.99%	Providing administrative support in marketing and logistics activities	Netherlands	Netherlands
Saudi Butanol Company (SABUCO)	486	14.38%	Production of n-butanol and isobutanol	KSA	KSA
Sahara Marketing Company	0.5	100%	Marketing and wholesale of petrochemical products	KSA	KSA
Promising Business Company	0.7	100%	Wholesale of chemical fertilizers	KSA	KSA
Gulf Advanced Cable Insulation Company	57	50%	Cable insulation polymers products	KSA	KSA
Khair Inorganic Chemical Industries	800	30%	Production of sodium carbonate, dense vs light soda ash, calcium chloride and calcium carbonate	KSA	KSA

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
Saudi Specialized Products Company (Wahaj)	56	75%	Production of metal molds used for plastics industries and maintenance of metal molds in addition to producing transparent films.	KSA	KSA
Sipchem Asia Pte Ltd	0.752	100%	Marketing Sipchem's products in Asia	Singapore	Singapore
Saudi Advanced Technologies Company	5	100%	Metal formation by hammering, pistons, casting, rolling, making structures for motor vehicles, making parts, accessories and engines for motor vehicles.	KSA	KSA

23. Details of shares and debt instruments issued for each subsidiary

There are no debt instruments convertible into shares or any subscription notes or similar rights issued or granted by the Company during 2020. There are also no rights of transfer or subscription under debt instruments convertible into shares, option rights, warrants or similar rights issued or granted by the Company during the year 2019. There is also no purchase or cancellation by the Company for any redeemable debt instruments.

24. A Description of Sipchem's Policy in Distributing Dividends

The annual net profits of the Company are distributed according to Article (48) of Sipchem's articles of association, after deducting all general expenses and other costs as follows:

- A percentage representing (10%) of the net profits shall be set aside to form a statutory reserve for the Company, and the Ordinary General Assembly may cease such practice whenever the mentioned reserve reaches 30% of the paid share capital.
- The Ordinary General Assembly, based on the proposal of the Board of Directors may retain a certain percentage of the net profits to form a consensual reserve and allocate such reserve for purposes beneficial to the Company.
- The Ordinary General Assembly may decide to create other reserves, to the extent that serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to incorporate social institutions for Sipchem's employees or to assist the institutions that may exist.
- The remaining amount thereafter shall be distributed among shareholders, with a proportion not less than (5%) five percent of the paid share capital.
- Subject to the provisions of Article (22) twenty-second of this law, and Article (76) seventy-six of the Companies Law, which after the above allocates a percentage not exceeding (10%) ten percent of the remaining amount for remuneration of the Board of Directors, provided that entitlement to such remuneration shall be prorate to the number of sessions attended by each member.

The Company may also distribute profits to its shareholders periodically, quarterly or semi-annually, if its financial capabilities permit, provided that the Company, when doing so, adheres to the conditions, controls and instructions issued about the same by the competent authorities

The dividends to be distributed according to Article (49) of the Articles of Association shall be paid to the shareholders at the place and dates specified by the Board in accordance with the instructions issued by the Ministry of Commerce and Investment and the Capital Market Authority.

24. A Description of Sipchem's Policy in Distributing Dividends (continued)

Sipchem's Board of Directors has made its recommendations on 15 December 2020 to distribute cash dividends for the fiscal year 2020 to the shareholders as follows:

The announced profits for the first half of 2020		
1	Total amount distributed	SAR 366,666,666
2	Dividend per share	SAR 0,50
3	Distribution ratio to the nominal value of share	5%
4	Number of shares eligible for dividends	733,333,332 shares
5	Distribution date	06 JAN 2021

Eligibility of the dividends shall be to the shareholders who hold shares at the end of trading on Thursday 24 DEC 2020 and are registered in the Company register at the Depository Center, at the end of the second trading day following the maturity date.

25. Description of any interest in the voting shares category held by persons (save the members of Sipchem's Board of Directors, senior executives and their relatives) who informed the Company of such rights under Article forty-five of the Registration and Listing Rules and any change in such rights during the fiscal year 2020

The Company did not receive notice of any interests belonging to persons in the voting shares or a change in such rights.

26. Description of Any Interests, Contractually Based Securities and Subscription Rights of Sipchem's Board Members, Senior Executives and Their Relatives in Shares or Debt Instruments of the Company or Any of Its Subsidiaries, Together With Any Change in These Interests or Rights During 2020

A description of any interests held by the Board Members, their wives and adolescent children in the shares or debt instruments of the Issuer:

S	Name	Shares as at 1 JAN 2020		Shares as at Dec. 31, 2020		Net Change	% of change	Ownership of first-degree relatives and its change
		Number	Ownership %	Number	Ownership %			
1	Eng. Khalid A. Al-Zamil	334,240	0.04558%	334,240	0.04558%	0	0	-
2	Dr. Abdulrahman A. Al-Zamil	1,036,852	0.14139%	1,036,852	0.14139%	0	0	-
3	Eng. Yousef A. Al-Zamil	42,973	0.00586%	21,500	0.0029%	-21473	50%	
4	Mr. Fahad S. Al-Rajhi	6,500,000	0.8864%	6,500,000	0.8864%	0	0	-
5	Mr. Saeed O. Al-Esayi	7,269,212	0.9913%	6,478,071	0.8833%	-791,141	11%	-
6	Eng. Reyadh S. Ahmed	0	0%	0	0%	-		-
7	Mr. Abdulaziz A. bin Dayel	0	0%	0	0%	-		-
8	Mr. Saeed A. Basamah	0	0%	0	0%	-		-
9	Mr. Ziad A. Al-Turki	1000	0%	1000	0%	0	0	-
10	Mr. Ayidh M. Al-Qarni	0	0%	0	0%	-		-
11	Mr. Bandr A. Masoudi	0	0%	0	0%	-		-

A description of any interests held by the Senior Executives, their wives and adolescent children in the shares or debt instruments of the Issuer:

S	Name	Shares as at 1 JAN 2020		Shares as at Dec. 31, 2020		Net Change	% of change	Ownership of first-degree relatives and its change
		Number	Ownership %	Number	Ownership %			
1	Eng. Saleh M. Bahamdan	67,273.00	0.0092%	94,000	0.012%	26,727	39%	-
2	Eng. Abdullah S. Al-Saadoon	40,000	0055%	0	0%	40,000	100%	-
3	Mr. Rushdi K. Al-Dulijan	0	0%	0	0%	-	-	-
4	Mr. Faisal M. Al-Modlij	-	0%	-	0%	-	-	-

27. Information Related to Any Loans owed by the Company

(Million Riyals)

Sahara International Petrochemical Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Islamic Sukuk	5	1,000	1,000	-	-	-	1,000
Long-term loans	5-7	5,050	2,635	-	1,275	(1,102)	2,808

International Methanol Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Islamic facilities	10	525	273	-	-	(59.5)	213.5

International Diol Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Long-term loans from Partners	unspecified	64	1,052	-	10	-	1,062

International Acetyl Company Limited

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	10	618	590	-	-	(70)	520
Public Investment Fund	11	769	38	-	-	(38)	-
Long-term loans from Partners	unspecified	260	250	129	90	(107)	233

27. Information Related to Any Loans owed by the Company (continued)

(Million Riyals)

International Vinyl Acetate Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	12	356	380	-	-	(56)	324
Public Investment Fund	11	439	22	-	-	(22)	-
Long-term loans from Partners	unspecified	88	82	-	120	(82)	120

International Gases Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	6	300	-	-	-	-	300

International Polymers Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	15	704	453	-	-	(54)	399
Saudi Industrial Development Fund	10	600	260	-	-	(25)	235
Public Investment Fund	14	704	406	-	-	(54)	352

Sipchem Chemicals Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Saudi Industrial Development Fund	8-9	396	193	-	-	-	193
Long-term loans from Partners	unspecified	263	502	-	155	(146)	511

27. Information Related to Any Loans owed by the Company (continued)

(Million Riyals)

Gulf Advanced Cable Insulation Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Saudi Industrial Development Fund	6	99	38	-	-	-	38
Long-term loans from Partners	Unspecified	103	112	-	1	-	113

Saudi Specialized Products Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Saudi Industrial Development Fund	10	65	65	-	-	(65)	-
Short-term loans from partners	1	11	-	11	-	-	11
Long-term loans from Partners	unspecified	211	105	(11)	-	(6)	99

Sahara Petrochemicals Company

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	13	500	253	-	-	(39)	214

SAMAPCO Petrochemical Plant

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	12	2,250	2,230	-	-	(52)	2,178

Al Waha Petrochemical Plant

Loan lender	Loan Tenor	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks	12	1,964	1,316	-	-	(168)	1,148

28. Description of Categories and Numbers of Any Convertible Debt Instruments and Any Contractually Based Securities, Subscription Right Notes, or Similar Rights Issued or Granted by the Company During the Fiscal Year, Along With an Explanation of Any Compensation Obtained by the Company in Return.

N.A.

29. Description of Any Transfer or Subscription Rights Under Convertible Debt Instruments, Contractually Based Securities, or Similar Subscription Right Notes Issued or Granted by the Company

N.A.

30. Description of Any Redemption, Purchase or Cancellation by the Company of Any Redeemable Debt Instruments and the Value of the Remaining Securities With a Distinction Between the Listed Securities Purchased by the Company and Securities Purchased by Subsidiaries of the Company

N.A.

31. The Number of Board Meetings Held During the Fiscal Year 2020, Dates of Such Meetings, and Attendance Record for Each Meeting, Indicating the Names of Attendances.

The Board of Directors of Sipchem held four meetings during 2020. The table below shows the attendance record and date for each meeting:

S	Name	06/04/2020	07/06/2020	29/09/2020	15/12/2020	Total Attendance
1	Eng. Khalid A. Al-Zamil	✓	✓	✓	✓	4
2	Mr. Fahad S. Al-Rajhi	✓	✓	✓	✓	4
3	Dr. Abdulrahman A. Al-Zamil	✓	✓	✓	✓	4
4	Mr. Bandr A. Masoudi	✓	✓	✓	✓	4
5	Mr. Ayidh M. Al-Qarni	✓	✓	✓	✓	4
6	Mr. Ziad A. Al-Turki	✓	✓	✓	✓	4
7	Eng. Reyadh S. Ahmed	✓	✓	✓	✓	4
8	Eng. Saeed O. Al-Esayi	✓	✓	✓	✓	4
9	Eng. Yousef A. Al-Zamil	✓	✓	✓	✓	4
10	Mr. Saeed A. Basamah	✓	✓	✓	✓	4
11	Mr. Abdulaziz A. bin Dayel	✓	✓	✓	✓	4

✓ Attendance

32. Number of requests for the shareholders' record, dates and justifications

S	Request Date	Request Justification
1	23 JAN 2020	Company's procedures
2	03 March 2020	Company's procedures
3	18 April 2020	Company's procedures
4	28 April 2020	General Assembly
5	30 June 2020	Company's procedures
6	06 July 2020	Company's procedures
7	09 December 2020	Company's procedures
8	22 December 2020	Profit profile
9	31 December 2020	Company's procedures

* Sipchem uses the records in the preparation of detailed monthly reports which are submitted to the Executive Management to follow up and communicate with shareholders through interviews or meetings. Sipchem also explores the latest developments of its business and reply to the shareholders' suggestions and inquiries.

33. Description of any Transactions between Sipchem and Related Parties

Transactions with the related parties represent transactions with the shareholders, the sister companies, associate companies, partners, the Board of Directors and the entities wholly or jointly controlled or materially influenced by the related parties. The Group conducted the following transactions with the related parties during 2020:

Name	Nature of the transaction	Relationship
Japan- Arabia Methanol Company Limited	Sales	Partner in a subsidiary
Helm Arabia GmbH & Co. KG. (Helm Arabia)	Sales	Partner in a subsidiary
HANWHA CHEMICAL MALAYSIA SDN. BHD.	Sales	Partner in a subsidiary
Sahara & Ma'aden Petrochemical Company (SAMAPCO)	Expenses	A joint-venture of a subsidiary
LyondellBasell Industries NV	Sales	Shareholder in joint operations of a subsidiary
Saudi Acrylic Acid Company Limited (SAAC)	Sales	Associate Company
Saudi Ethylene & Polyethylene Company (SEPC)	Sales	Associate Company

33. Description of any Transactions between Sipchem and Related Parties (continued)

Sipchem and non-controlling shareholders have provided loans to the Group's companies to support their operations and comply with debt requirements. Long-term loans carry financing charges at market rates and have specific maturity dates according to agreed payment schedules.

The prices and terms of the above transactions are approved by the Board of Directors of Group's subsidiaries. The above transactions resulted in the following balances with the related parties as at December 31:

- **Trade receivables**

(Million Riyals)

Name	2020	2019
Japan- Arabia Methanol Company Limited (JAMC)	44	10
Helm Arabia GmbH & Co. KG. (Helm Arabia)	-	80
HANWHA CHEMICAL MALAYSIA SDN. BHD.	100	85
LyondellBasell Industries NV	195	178
Total	**339**	**353**

- **Prepayments and other current assets**

(Million Riyals)

Name	2020	2019
SAMAPCO	34	25
LyondellBasell Industries NV	4	6
Total	**38**	**31**

33. Description of any Transactions between Sipchem and Related Parties (continued)

- ## Trade and other payables

(Million Riyals)

Name	2020	2019
LyondellBasell Industries NV	-	30
Saudi Ethylene & Polyethylene Company (SEPC)	-	5
SAMAPCO	4	4
Total	**4**	**39**

- ## Accrued expenses and other current liabilities

(Million Riyals)

Name	2020	2019
SAMAPCO	36	21
LyondellBasell Industries NV	41	7
HANWHA CHEMICAL MALAYSIA SDN. BHD.	5	-
HANWHA CHEMICAL MALAYSIA SDN. BHD.	5	
Total	**87**	**28**

- ## Transactions Pricing

On January 31, 2019, corresponding to 25 Jumada I 1440 AH, the General Authority of Zakat and Income in the Kingdom of Saudi Arabia issued Transfer Pricing Regulations (the Regulations). These regulations were enacted on February 15, 2019, as part of the Tax Law and became binding on taxpayers for the periods that end on or after December 31, 2018. The Group submitted the documents necessary to comply with the relevant Tax Law during the statutory period.

- ## Terms and conditions of transactions with related parties

Sales and purchases transactions with the related parties shall be conducted according to the same terms of transactions between independent parties. Outstanding balances at the end of the year are neither collateralized, nor bearing any interest, and shall be paid in cash. No guarantees provided or received for any receivables or payables to related parties. For the year ended December 31, 2020, the Group evaluated and recorded an impairment related to the amounts due from a related party. This evaluation is carried out every fiscal year by examining the financial position of the related party and the market in which the related party operates.

34. Information Related to Any Business or Contracts, in Which the Company is a Party, or in Which There Was an Interest for a Board Member or for its Senior Executives or for Any Person Related to Any of Them, Including the Names of Those Involved in the Business or Contracts, the Nature of Such Business or Contracts, Terms, Duration and Amount of the Same. In Case of Lack of Such Business or Contracts, the Company shall Provide a Declaration in This Regard.

N.A.

35. Statement of Any Arrangements or Agreement, Under Which a Board Member or a Senior Executive Has Waived Any Remunerations.

There is no arrangement or agreement, under which a Board Member or a senior executive has waived any remuneration.

36. Statement of Any Arrangements or Agreement, Under Which a Shareholder of the Company Has Waived Any Rights to Profits.

There is no arrangement or agreement, under which a shareholder of the Company has waived any rights to profits.

37. Statement of Regular Paid and Payable Payments of Any Zakat, Taxes, Fees or Any Other Payables that Were Not Paid Until the End of the Annual Fiscal Period with a Brief Description of the Same and Description of the Reasons.

- **Prepayments and other current assets**

(Million Riyals)

Statement	Payments made during the year 2020	Outstanding and unpaid up to the end of annual fiscal year	Brief description	Reasons
GAZT	47	223,3	Zakat	Obligatory
GAZT	11	(3,4)	Tax	Obligatory
GOSI	41.6	4.4	Subscriptions	Obligatory
Labor Office Fees	2.4	-	Fees	Obligatory

38. Statement of Any Investments Or Reserves Established For the Interest of Employees of the Company

Sipchem's success is mainly attributed to its distinguished ability and constant endeavors to attract qualified personnel. Sipchem has been successful in creating an environment in which employees are proud to work in; a very professional transparent one, which encourages high performance and effective engagement at all levels of management in all Sipchem's subsidiaries. Sipchem cares about ensuring its personnel's job satisfaction to help them achieve their career ambition; Sipchem pays attention to the job development and training programs, both technical and administrative, to raise levels of efficiency, loyalty and create a fair and competitive environment inside the Company.

The table below shows the number and percentage of employees in Sipchem and its subsidiaries as at the end of 2020 compared to 2019:

	2019		2020	
Employees	**Number**	**Percentage**	**Number**	**Percentage**
Saudis	1258	%75.7	1249	%80.17
Non-Saudis	404	%24.3	309	%19.83
0	**1662**		**1,558**	

The following are some of the achievements of the Human Resources Department during 2020:

1. Human Resources Policy:

A. Development of Human Resources Policy:

Human Resources Team has made many improvements and developments for majority of the Human Resources programs one year after merger as follows:

- Update Human Resources Policy to be in line with Sipchem strategy.
- Review and update job description for the majority of Sipchem's jobs.

2. Consolidate, organize and merge both companies:

A. Human Resources Team has improved and added services to e-portal in order to render better services for employees and save their time. Merger adopted transformation of Human Resources Department by using Cloud SAP (Success Factors):

- Main Human Resources Operations System: Merge the employees' system under the umbrella of a unified system based on the policies set after the merger. This system includes the career ladder, job titles, salary scale, organizational structure, shifts system, and other unified policies.
- Employment and Onboarding System: Apply employment and onboarding system through new e-portal.
- Performance and Compensation System: Consolidate compensation, job performance assessment and promotions system.
- Professional Development System: Unify and develop a cloud system for professional development in line with career path and capacity development.
- Learning Management System: Create a training and learning system through class learning and e-learning commensurate with the job needs

38. Statement of Any Investments Or Reserves Established For the Interest of Employees of the Company (continued)

3. Talent Management and Development:

A. E-learning Program:

Sipchem has implemented an online training system that included more than 7,000 training courses in the areas of management, leadership, work skills, safety and security, and computer program courses attended by nearly 800 employees. It is worth mentioning that content of these training materials was prepared by international universities and educational institutions.

B. Virtual Learning Program:

In line with the updates to the global learning methods, Sipchem has delivered more than (70) virtual awareness-raising sessions in several areas such as: safety, security, administration, and others that were attended by more than 700 employees from Sipchem's departments.

C. Development of Employee Performance Assessment:

Human Resources Team has developed the annual employee assessment program by launching an addition, which is the semi-annual review phase that takes place in July and August and aims to review the employee's progress towards achieving the targets set since the beginning of the year and to provide the appropriate directions for development and improvement purposes.

D. Career Progression Program:

Ten (10) Saudi employees graduated during 2020 from Sipchem's development program to determine the career path for universities' fresh graduates. The program lasted for two years, during which the participants received on-the-job training and they also received around (30) training courses on team work, time management, creative thinking and emotional intelligence.

E. Professional Development Plan Program:

Applying the individual professional development plan for employees, which is a plan implemented through the human resources system. This Plan describes the competencies required from the employee in line with the employee's career path and promotes development of the employee's capabilities and skills and how to invest the same.

F. Qualification Program for Technicians and Technical Staff:

Sipchem provides training and development opportunities for employees in the field of manufacturing and operation, including training courses and on-the-job training. Sipchem issues certificates and grants rewards related to the successful completion of each stage of the program.

4. Employees' Incentive Programs

A. Home Ownership Program for Saudi Employees:

The program aims at giving a chance to Sipchem's Saudi employees, who meet the program conditions, to own housing units in light of Sipchem policy of assuring comfort and stability for its employees and motivating them to continue their services with Sipchem.

B. Employees Shares Ownership Incentive Program:

Sipchem implemented an Employee Incentive Program aimed at encouraging Sipchem's and subsidiaries' employees to maintain and improve their work performance and put up their utmost efforts to serve Sipchem's interests and achieve its objectives. The program also contributes in attracting highly qualified personnel in the field of petrochemicals.

The program is currently managed by Al Bilad Securities and Investment Co., through a special portfolio opened for the program in 2010. A total of 369,616 shares have been transferred from the program portfolio to the eligible employees. Total number of the program shares reached 827,813 as of December 31, 2020.

C. Savings Program:

Sipchem initiated to put an Islamic Shariah-compliant savings program to motivate its employees and enhance their loyalty to Sipchem hence improving the work performance, and attracting well-qualified Saudi employees and motivating them to continue their services. The program is aimed at helping Saudi employees to accumulate their savings to be utilized upon retirement or end of services. Sipchem takes a part of the subscribed employee's salary and may invest these savings according to his desire. Sipchem has the right to manage this investment in the way which it believes to be beneficial for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolio. Also, Sipchem has the right to invest the subscriber's savings in investment activities in cooperation with specialized companies and banks in accordance with the criteria of Islamic investment in a manner that can attain benefits for the subscribers provided that such investments are in low-risk Islamic portfolios.

The saving program was activated in 2011. It is managed by Bank AlJazira and it was reviewed, audited and approved by the Sharia Committee of Bank AlJazira.

39. Acknowledgments:

The Board of Directors is keen to ensure the professional performance of (Sipchem) during the year 2020. Accordingly, the Board of Directors confirms the following:

1) That the accounting records had been prepared correctly.

2) That the internal control system has been properly prepared and implemented effectively.

3) That there is no little doubt in Sipchem's ability to continue its activity.

4) The consolidated financial statements have been prepared in accordance with the accounting standards and regulations issued by the Saudi Organization for Certified Public Accountants and in accordance with the relevant requirements of the Companies Law and the Company's Articles of Association regarding the preparation and publication of financial statements.

5) There is no contract to which the Company is a party and where there is or there was a fundamental interest of a member of the Board of Directors, CEO or CFO or any person related to any of them.

6) There is no arrangement or agreement whereby a Board Member or a senior executive waives any salary or compensation.

7) There is no arrangement or agreement whereby a shareholder of the Company waives any rights in profits.

40. If the Auditor's Report Includes Reservations on the Annual Financial Statements, the Board Report Must Clarify Those Reservations, Their Reasons, and Any Information Related Thereto.

Auditor's report does not include any reservations on the annual financial statements.

41. If the Board Recommends Changing the Auditor Before the End of the Auditor's Term of Service, the Report Must Contain this Matter, Along With the Recommendation for the Change.

The Board did not recommend to change the auditor.

42. Disclosure of details of Treasury shares held by the Company and details of the uses of these shares:

Number of treasury shares held by the Company	Value (SAR per share)	Date of retention	Use details
5,171,150	SAR 89,564,318 * Value of shares as at 31/12/2020	Based on approval by the shareholders during the Extraordinary General Assembly meeting, which was held on 29/04/2020 and which results were published by Sipchem on Tadawul website on 30/04/2020, purchase transaction was made in two phases during 2020: The first phase was during the period from 01/07/2020 until 03/09/2020 The second phase was during the period from 01/10/2020 until 31/12/2020	Sipchem's shares were bought back as treasury shares, because the Board considers that the share price in the market is less than its fair value.

Conclusion:

At the end of our report for the year 2020, the Board of Directors would like to express its gratitude and thanks to the Custodian of the Two Holy Mosques and HRH Crown Prince, for their sponsorship and support of Sipchem's activities and petrochemical sector in Saudi Arabia. Also, the Board appreciates the sincere efforts of the governmental bodies for their continuous support. Of course, the Board extends its appreciations and thanks to the shareholders and all personnel for their sincere efforts exerted to develop and enhance the work performance so as to support Sipchem's efforts to attain its goals, promote its competitiveness and preserve its gains and interests. The Board shall save no efforts to make Sipchem participate effectively in the prosperity of our beloved kingdom and support economic and social development system, asking Allah the Al-Mighty to help us attain our objectives.

The Board

Consolidated Financial Statements With Independent Auditors’ Report

Contents

Independent Auditors' Report

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA), (collectively IFRSs as endorsed in Kingdom of Saudi Arabia).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of Goodwill

See Note 13 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
On 16 May 2019, the Group acquired 100% of the shares in Sahara Petrochemicals Company ("Sahara") for a consideration of SR 7,839 million. As a result of the acquisition, Goodwill amounting to SR 601 million, was recognized by management at a reporting unit level and is allocated to certain Cash Generating Units ("CGUs") of Sahara. Management carried out an impairment analysis in respect of Goodwill allocated to different CGUs. The recoverable amount was determined based on the value in use calculated using a discounted cash flow model, which utilized the most recent business plan prepared by Management. Due to the significant value, judgements and nature of estimates involved in assessing the impairment of Goodwill, we considered this as a key audit matter.	We performed the following procedures in relation to the impairment assessment of Goodwill: • Assessed the methodology adopted by management in its impairment assessment of Goodwill with reference to the requirements of IAS 36. We also tested the arithmetical accuracy of the model used; • Evaluated the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Group and the industry; • Engaged our internal valuation specialist to assist in evaluating the appropriateness of significant assumptions, such as growth rates, cost of capital and terminal values; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible changes in certain variables to evaluate the impact on the cash flow forecasts for CGUs; and • Evaluated the adequacy of the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgments and sensitivities.

Independent Auditors’ Report (continued)

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

Impairment testing of Non-financial assets

See Note 6 to the consolidated financial statements

The key audit matter

As at 1 January 2016, the date of transition to IFRS, the Group determined that the recoverable amounts of two of its cash generating units (CGUs) namely International Diol Company (“IDC”) and Polybutylene Terephthalate (“PBT”) based on the CGU’s value in use calculated by discounting the future cash flows using a pre-tax discount rate of 10%, were less than their carrying amount. This resulted in an impairment loss of SR 400 million in IDC and SR 300 million in PBT.

In 2019, the Group recorded additional impairment of SR 256 million in IDC, and SR 150 million in PBT. Further, an impairment loss of SR 48 million was also recognized on Tool Manufacturing Division (TMF) for the year then ended.

During the year ended 31 December 2020, management reassessed the impairment of certain CGU’s. This resulted in an impairment loss of SR 280 million being recognized in the 2020 financial results. SR 100 million is related to the IDC CGU and SR 180 million is related to the EVA Film plant.

The recoverable amount of the CGUs, which is based on the higher of the value in use or the fair value less costs to sell, has been derived using discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value growth rates and the weighted average cost of capital. The management of the Company has used external consultants forecasted prices as a reference for estimating prices of its products.

Impairment testing of non-current assets is a key audit matter due to the complexity of the accounting requirements and the significant judgements required in determining the assumptions to be used to estimate the recoverable amount.

How the matter was addressed in our audit

We performed the following procedures to address the key audit matter:

- Assessed the methodology used by the management to determine a recoverable amount based on value in use and compared to the requirements of IAS 36. We also tested the arithmetical accuracy of the model used.
- Inquired for any changes in the structure of CGUs of the Group, engaged our department of professional practice to evaluate the structure of CGUs as reported by management and ensured that the structure is compliant with the requirements of IAS 36.
- Evaluated the appropriateness of the assumptions applied to key inputs to the valuation model, such as sales volumes and prices, operating costs, inflation and long- term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Group and the industry;
- Engaged our internal valuation specialist to assist in evaluating the appropriateness of significant assumptions, such as growth rates, cost of capital and terminal values;
- Performed a sensitivity analysis, which included assessing the effect of reasonably possible changes in certain variables to evaluate the impact on the cash flow forecasts for the IDC and PBT CGUs; and
- Evaluated the adequacy of the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Independent Auditors' Report (continued)

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

Revenue recognition

See Note 27 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Revenue is a key financial statement caption and performance metric. Further, revenue for major products is recognized on provisional prices which are subject to change in a volatile economic environment. Considering the above factors coupled with fraud risk associated with revenue recognition, we have considered this as a key audit matter.	We performed the following procedures to address the key audit matter: • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue; • Performed tests of details on a sample of sales transactions and vouched back to source documents. • Evaluated the appropriateness of provisional price adjustments for the unsold products with marketers as at the end of the year; • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Tested a sample of journal entries of accounts relating to significant risk areas and compared them to the supporting documents. • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the consolidated financial statement disclosures related to revenue.

Independent Auditors' Report (continued)

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

Other Information

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditors' Report (continued)

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group").

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

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

For KPMG Al Fozan & Partners

Certified Public Accountants

Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 13 March 2021

Corresponding to: 29 Rajab 1442H

Consolidated Statement of Financial Position

As At 31 December 2020
(Expressed in Saudi Riyal)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**13,015,719**	13,971,025
Right-of-use assets	7.1	**61,143**	67,608
Intangible assets	8	**379,388**	334,113
Investments in a joint venture and associates	9	**3,493,314**	3,559,679
Long term investments	10	**260,622**	229,629
Deferred tax assets	11	**4,970**	38,453
Long term prepaid employees' benefits	12	**942,796**	1,029,750
Goodwill	13	**630,483**	630,483
Other non-current assets		**3,349**	2,990
Total non-current assets		**18,791,784**	19,863,730
Current assets			
Inventories	14	**907,526**	957,467
Trade receivables	15	**1,060,918**	842,358
Prepayments and other current assets	16	**189,867**	187,540
Short term investments	19	**318,115**	348,900
Cash and cash equivalents	17	**2,496,871**	1,791,277
Total current assets		**4,973,297**	4,127,542
Total assets		**23,765,081**	23,991,272
Equity and Liabilities			
Equity attributable to the owners of the Company			
Share capital	18	**7,333,333**	7,333,333
Share premium		**4,145,053**	4,172,667
Treasury shares		**(59,990)**	(2,062)
Statutory reserve	18	**1,252,936**	1,235,350
Other reserves	18	**(82,178)**	(433)
Retained earnings		**397,522**	603,326
Total owners' equity		**12,986,676**	13,342,181
Non-controlling interests	5	**849,200**	995,819
Total equity		**13,835,876**	14,338,000

Consolidated Statement of Financial Position (continued)

As At 31 December 2020
(Expressed in Saudi Riyal)

	Note	31 December 2020	31 December 2019
Current liabilities			
Non-current liabilities			
Long term bank loans and borrowings	19	**5,339,916**	5,711,701
Sukuk	19	**-**	987,445
Long term advances from non-controlling shareholders	19	**53,326**	74,474
Contractual liabilities	20	**149,500**	164,246
Lease liabilities	7.2	**63,275**	68,594
Employees' benefits	21	**661,191**	522,353
Deferred tax liabilities	11	**49,400**	42,712
Decommissioning liability	22	**138,945**	131,588
Derivative financial instrument	23	**-**	10,568
Other non-current liabilities		**8,556**	8,556
Total non-current liabilities		**6,464,109**	7,722,237
Current liabilities			
Sukuk	19	**987,773**	-
Current portion of long term bank loans and borrowings	19	**1,078,011**	836,013
Short term advances from non-controlling shareholders	20	**-**	21,500
Current portion of contractual liabilities	7.2	**14,746**	14,746
Current portion of lease liabilities	24	**3,898**	3,327
Trade and other payables	25	**226,848**	187,934
Accrued expenses and other current liabilities	26	**927,095**	645,454
Zakat and income tax payable	23	**219,845**	222,061
Derivative financial instruments		**6,880**	-
Total current liabilities		**3,465,096**	1,931,035
Total liabilities		**9,929,205**	9,653,272
Total equity and liabilities		**23,765,081**	23,991,272

The consolidated financial statements appearing on pages 7 to 73 were approved by the Board of Directors of the Company on 26 Rajab, 1442H (corresponding to 10 March 2021G) and have been signed on their behalf by:

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 94 to 146 form an integral part of these consolidated financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

	Note	31 December 2020	31 December 2019
Revenue	27	**5,323,023**	5,439,730
Cost of sales		**(4,150,080)**	(3,804,488)
Gross profit		**1,172,943**	1,635,242
Selling and distribution expenses	28	**(394,617)**	(314,841)
General and administrative expenses	29	**(418,694)**	(414,134)
Operating profit		**359,632**	906,267
Share of loss from a joint venture and associates	9	**(33,757)**	(27,183)
Finance income		**26,108**	59,607
Finance cost	30	**(293,502)**	(369,891)
Other expenses and income, net	31	**126,494**	(178,803)
Profit before zakat and income tax		**184,975**	389,997
Zakat and income tax expense	26	**(127,802)**	(145,289)
Profit for the year		**57,173**	244,708
Profit/(loss) attributable to:			
Equity holders of the Company		**175,863**	299,527
Non-controlling interests		**(118,690)**	(54,819)
Profit for the year		**57,173**	244,708
Earnings per share:			
Basic and diluted earnings per share attributable to the equity holders of the Company presented in Saudi Riyals	32	**0.24**	0.52

Khalid Abdullah Al- Zamil	**Abdullah Saif Al-Saadoon**	**Rushdi Khalid Al-Dulaijan**
Chairman of the Board	Chief Executive Officer	Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 94 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

	Note	31 December 2020	31 December 2019
Profit for the year		**57,173**	244,708
Other comprehensive income			
Items that will be reclassified to income statement in subsequent periods:			
Exchange difference on translation of foreign operations		**108**	634
Changes in the fair value of derivative financial instruments designated as hedge		**3,688**	(651)
Changes in other comprehensive loss of a joint venture and associates		**-**	(1,981)
Net total other comprehensive income/(loss) items that will be reclassified to income statement in subsequent periods		**3,796**	(1,998)
Items that will not be reclassified to income statement in subsequent periods:			
Re-measurement losses on defined benefit plan	21	**(81,600)**	(58,079)
Share of re-measurement losses on defined benefit plan from a joint venture and associates	21	**(58)**	(808)
Changes in the fair value of financial assets at fair value through other comprehensive income	10.0	**8,587**	12,658
Net total other comprehensive loss items that will not be reclassified to income statement in subsequent periods		**(73,071)**	(46,229)
Total other comprehensive loss for the year		**(69,275)**	(48,227)
Total comprehensive (loss)/income for the year		**(12,102)**	196,481
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**108,414**	255,481
Non-controlling interests	5	**(120,516)**	(59,000)
Total comprehensive (loss)/income for the year		**(12,102)**	196,481

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 94 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

	Equity attributable to the owners of the Company								
	Share Capital	**Share premium**	**Treasury shares**	**Statutory reserve**	**Other reserves (note18)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
As at 1 January 2020	**7,333,333**	**4,172,667**	**(2,062)**	**1,235,350**	**(433)**	**603,326**	**13,342,181**	**995,819**	**14,338,000**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**175,863**	**175,863**	**(118,690)**	**57,173**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(67,449)**	**-**	**(67,449)**	**(1,826)**	**(69,275)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(67,449)**	**175,863**	**108,414**	**(120,516)**	**(12,102)**
Purchase of additional shares in Subsidiary	**-**	**-**	**-**	**-**	**(14,102)**	**-**	**(14,102)**	**18,500**	**4,398**
Advances from partners – Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,600**	**4,600**
Net change in other reserves	**-**	**-**	**-**	**-**	**(194)**	**-**	**(194)**	**-**	**(194)**
Repurchase of treasury shares	**-**	**(27,614)**	**(57,928)**	**-**	**-**	**-**	**(85,542)**	**-**	**(85,542)**
Transfer to statutory reserve	**-**	**-**	**-**	**17,586**	**-**	**(17,586)**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**(364,081)**	**(364,081)**	**(49,203)**	**(413,284)**
As at 31 December 2020	**7,333,333**	**4,145,053**	**(59,990)**	**1,252,936**	**(82,178)**	**397,522**	**12,986,676**	**849,200**	**13,835,876**

	Equity attributable to the owners of the Company								
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves (note18)	Retained earnings	Total	Non-controlling interest	Total
As at 1 January 2019	3,666,667	-	(6,278)	1,205,397	41,036	1,012,085	5,918,907	1,206,079	7,124,986
Profit for the year	-	-	-	-	-	299,527	299,527	(54,819)	244,708
Other comprehensive loss	-	-	-	-	(44,046)	-	(44,046)	(4,181)	(48,227)
Total comprehensive income/(loss)	-	-	-	-	(44,046)	299,527	255,481	(59,000)	196,481
Issued additional share capital	3,666,666	4,172,667	-	-	-	-	7,839,333	-	7,839,333
Advances from partners-discounting	-	-	-	-	-	-	-	(403)	(403)
Net change in other reserves	-	-	-	-	2,577	-	2,577	-	2,577
Transfer to statutory reserve	-	-	-	29,953	-	(29,953)	-	-	-
Movement in treasury shares	-	-	4,216	-	-	-	4,216	-	4,216
Dividends (note 33)	-	-	-	-	-	(678,333)	(678,333)	(150,857)	(829,190)
As at 31 December 2019	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	13,342,181	995,819	14,338,000

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 94 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

	Note	31 December 2020	31 December 2019
Cash flow from operating activities			
Profit before Zakat and income tax for the year		**184,975**	389,997
Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flow generated from operating activities:			
Depreciation of property, plant and equipment	6	**869,024**	804,339
Depreciation of right-of-use assets	7	**4,389**	5,169
Income on loan settlement with bank	31	**-**	(296,060)
Impairment loss	31	**280,000**	453,940
Amortization of intangible assets and deferred costs		**73,164**	94,500
Amortization of contractual liabilities		**(14,746)**	(12,820)
Gain on sale of precious metals	31	**(321,515)**	-
Share of loss from a joint venture and associates	9	**33,757**	27,183
Provision for employees' benefits		**72,828**	40,335
Additions to long term prepaid employees' benefits	12	**(7,127)**	(2,372)
Loss on property, plant and equipment - written off		**46,198**	3,753
Gain on settlement of employees' end of service benefits		**(22,182)**	-
Provision for slow moving stores and spares	14	**16,747**	5,481
Inventories - written off	14	**7,477**	-
Provision (reversal)/recognized expected credit losses	15	**(14,230)**	1,256
Trade receivables - written off	15	**-**	(7,695)
Net foreign exchange difference		**(291)**	937
Finance income		**(26,108)**	(59,607)
Finance cost		**293,502**	369,891
		1,475,862	1,818,227
Changes in:			
Trade receivables		**(204,330)**	121,797
Inventories		**25,717**	67,792
Prepayments and other current assets		**(39,298)**	92,857
Accrued expenses, trade and other payables		**344,287**	(277,972)

	Note	31 December 2020	31 December 2019
Employee benefits paid		**(5,611)**	(20,208)
Deductions under home ownership program	12	**65,171**	51,369
Zakat and income tax paid	26	**(58,604)**	(59,113)
Net cash generated from operating activities		**1,603,194**	1,794,749
Cash flow from investing activities			
Additions to property, plant and equipment	6	**(508,340)**	(662,386)
Additions to intangibles	8	**(7,367)**	(105)
Movement in long and short term investments		**3,008**	(7,939)
Movement in other non-current assets		**-**	529
Finance income received		**30,348**	38,015
Dividend received	9	**32,550**	286,370
Repayment of advance by SAMAPCO		**-**	79,320
Sales proceeds from sale of precious metals		**507,779**	-
Net cash generated from/(used in) investing activities		**57,978**	(266,196)
Cash flow from financing activities			
Proceeds from long term loans and borrowings		**1,575,000**	2,179,997
Repayment of long term loans and borrowings		**(1,698,464)**	(2,664,574)
Net change in advances from non-controlling shareholders		**(42,648)**	2,194
Movement in treasury shares		**(85,542)**	4,216
Dividend paid to shareholders		**(364,081)**	(678,333)
Movement in non-controlling shareholders		**(44,603)**	(150,857)
Interest paid		**(289,445)**	(350,670)
Payment of lease liabilities	7.4	**(6,194)**	(7,308)
Net cash used in financing activities		**(955,977)**	(1,665,335)
Net change in cash and cash equivalents		**705,195**	(136,782)
Cash and cash equivalents at 1 January		**1,791,277**	1,013,514
Cash and cash equivalents due to acquisition of Sahara		**-**	914,848
Effect of exchange rate fluctuations		**399**	(303)
Cash and cash equivalents at 31 December		**2,496,871**	1,791,277

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 94 to 146 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

1. CORPORATE INFORMATION

Sahara International Petrochemical Company "Sipchem" or "the Company", (formerly Saudi International Petrochemical Company), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G.

The Company's head office is in the city of Riyadh with a branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G, and another branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I, 1427H, corresponding to 1 June 2006G. The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. The Company incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

On Thursday, 11 Ramadan 1440H (corresponding to 16 May 2019G), Saudi International Petrochemical Company announced changing its name to Sahara International Petrochemical Company ("Sipchem" or "the Company") following completion of the business combination of equals between Sipchem and Sahara Petrochemicals Company, a Saudi Joint Stock Company having commercial registration number 1010199710 dated 19 Jumada Al-Awal 1425H (corresponding to 7 July 2004G).

This business combination was structured as an acquisition whereby Sipchem acquired 100% of Sahara Petrochemicals Company ("Sahara") shareholding by issuing 366,666,666 new Sipchem shares in accordance with implementation agreement and agreed ratio of 0.8356 shares of Sipchem for each share of Sahara. The issue of Sipchem shares was approved by shareholders in Extraordinary General Assembly on 11 Ramadan 1440H (corresponding to 16 May 2019G). Sipchem received required approvals from the Capital Market Authority and the Saudi Stock Exchange ("Tadawul"), the General Authority for Competition and all other relevant regulatory authorities prior to the date of Extraordinary General Assembly. Following the acquisition of Sahara by Sipchem, Sahara shares were de-listed from Tadawul and new Sipchem shares were listed on Tadawul on 16 Ramadan 1440H (corresponding to 21 May 2019G), which resulted in Sahara becoming a wholly-owned subsidiary of Sipchem.

Economic environment and its effects on business:

On 11th March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic.

Consequently, asset prices became more volatile and with a marked decline in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, EBIT, free cash flow and other financial metrics when compared with the corresponding period in 2019. However, Sipchem has implemented active prevention programs at its sites and has contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community.

Sipchem has also taken measures to optimize spending, which have resulted in reducing operational and capital expenditures during the period. Additionally, the Group has secured additional credit facilities to ensure sufficient funds remain available to meet forecasted cash flow requirements and limit any potential financial exposure. Moreover, the management has considered potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Group's financial and non-financial assets. These are based on management's best estimates based on observable information at the year end. Also, the changes in geographical distribution of the Sipchem's customer base, compared to previous period have assisted the management to minimize demand and recoverability challenges from Covid-19. Sipchem also continues to monitor long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

1. CORPORATE INFORMATION (continued)

As of 31 December, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

Subsidiaries	Effective ownership percentage at 31 December	
	2020	2019
Sahara Petrochemicals Company ("Sahara")	**100%**	100%
International Methanol Company ("IMC")	**65%**	65%
International Diol Company ("IDC")	**53.91%**	53.91%
International Acetyl Company ("IAC") (1.1)	**89.52%**	89.52%
International Vinyl Acetate Company ("IVC") (1.1)	**89.52%**	89.52%
International Gases Company (" IGC")	**97%**	97%
Sipchem Marketing Company ("SMC')	**100%**	100%
Sahara Marketing Company ("SaMC')	**100%**	100%
International Utility Company ("IUC")	**78.20%**	78.20%
International Polymers Company ("IPC")	**75%**	75%
Sipchem Chemical Company ("SCC")	**100%**	100%
Sipchem Europe Cooperative U.A	**100%**	100%
Sipchem Europe B.V.	**100%**	100%
Sipchem Europe SA (Formerly Aectra SA)	**100%**	100%
Gulf Advance Cable Insulation Company (GACI) (1.2)	**50%**	50%
Saudi Specialized products Company (SSPC)	**100**%	75%
Sipchem Asia PTE Ltd. (1.3)	**100%**	100%
Sipchem Advanced Technology (1.4)	**100%**	100%

Sahara is principally involved in investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities. Sahara commenced its operations in 2004.

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial activities in 2010.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in 2010.

The principal activities of SMC and SaMC are to provide marketing services for the products manufactured by the Group Companies and other petrochemical products. SMC and SaMC commenced its operations in 2007 and 2018 respectively.

The principal activity of IUC is to provide industrial utilities to the group companies.

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations from 1 April 2015 after successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced the commercial operations on 1 July 2018 after successful commissioning, testing and completion of acceptance formalities. In December 2020, Sipchem announced moth-balling of PBT plant operations until further notice.

The principal activities of Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA are to provide marketing and distribution of petrochemical products of the Company.

The principal activities of Sipchem Asia pte Ltd is to act as a marketing agent and coordinator for sales of the Company's products.

The principal activity of GACI is the manufacture and sale of cross linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations from 1 June 2015 after the successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activities of SSPC which was established in 2014, are the manufacture and sale of moulds and dies and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. The Tool Manufacturing Factory ("TMF") plant started commercial operations from 1 November 2016 and was transferred to Sipchem Advanced Technologies in December 2019. The EVA film plant has commenced commercial operations on 1 January 2019 and was moth-balled in Dec 2020 until further notice.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

1. CORPORATE INFORMATION (continued)

1.1. In 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances and Sipchem agreed to contribute more than its required level to support the project. As a result, the Group's effective percentage of interest in both the companies increased by 2.52% from 87% to 89.52%.

1.2. The Group has only a 50% equity in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.

1.3. The investee company was incorporated in 2013 in Singapore. Its Article of Association is dated 13 Jumada I, 1434H, corresponding to 25 March 2013G. The principal activity of the Company is to provide marketing services for the products manufactured by the Group.

1.4. In 2019, share capital of Sipchem Advanced Technologies amounting to SR 5,000,000 was paid. The principal activity of this Company is the manufacturing of metal equipment and spare parts and includes the TMF plant.

1.5. Joint Operation

The Company, through its subsidiary Sahara, holds 75% equity interest in Al-Waha Petrochemicals Company ("Al-Waha"), a Joint Operation which is primarily involved in manufacturing of Polypropylene.

1.6. Equity accounted investees

The Company, through its subsidiary Sahara, holds 50% equity interest in Sahara and Ma'aden Petrochemicals Company ("SAMAPCO"), a Joint Venture which is primarily involved in manufacturing of Caustic Soda and Ethyl di-Chloride.

The Company, through its subsidiary Sahara, also holds equity interests in following associates which are primarily involved in manufacturing of petrochemical products:

	Effective ownership percentage at 31 December	
	2020	2019
Tasnee and Sahara Olefins Company ("TSOC")	**32.55%**	32.55%
Saudi Acrylic Acid Company ("SAAC")	**43.16%**	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	**30.00%**	30.00%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRSs").

These consolidated financial statements have been prepared on a historical cost basis, using accrual basis of accounting unless stated otherwise, except for the following material items in the consolidated statement of financial position:

- Investment in certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method;
- Derivative financial instruments that are measured at fair value.
- The financial statements are presented in Saudi Riyals (SR) in thousands unless otherwise stated.

Accounting polices used are relevant to an understanding of the users of financial statements. Details of the Group's significant accounting policies are included in note 2.3.

2.2. Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries (Note 1) as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of consolidation (continued)

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions among members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in income statement
- Reclassifies the group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's 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.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2.3. Summary of significant accounting policies

The Group has consistently applied the following policies to all periods presented in these consolidated financial statements.

a) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the date of acquisition, and amount of any non-controlling interest in the acquiree. Transaction costs are expensed as incurred during the year and included in the general and administrative expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

a) Business combination (Continued)

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

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in consolidated income statement immediately.

Subsidiaries

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 financial statements from the date on which control commences until the date on which control ceases.

The gains or losses resulting from sale of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary are booked in the reserve for the results of sale / purchase of shares in subsidiaries.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangements, have right to the assets and obligations for the liabilities relating to the arrangement. The Group has taken it's share of assets and liabilities in the joint operation.

b) Investment in joint ventures and associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Associates and joint ventures are accounted for using the equity method.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition change in the Group's share of the investee's net assets. Group recognise share of profits or losses of the investee in its consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill

On acquisition of the investment, any difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
- Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Current and non-current classification

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

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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 the 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.

d) Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, whenever required. The involvement of external valuer is decided by the Group after discussion and approval by the Company's Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

Notes to the Consolidated Financial Statements

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

e) Revenue from contracts with customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time. The Group recognizes revenue in respect of amounts to which it has a right to invoice.

Sale of goods

i) Direct sales - Marketers/ Off-takers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to marketers/off-takers and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Marketers/off-takers obtain control of the products when the goods are delivered or shipped to them (i.e. at the time of placing the goods on the vessels) and they have accepted the goods by signing the bill of lading. Invoice are generated at that point in time. Invoices are usually payable within 90 days. Discounts are provided to the marketers/off-takers based on mutual agreed terms. The portion of sales made through marketers/off-takers are recorded at provisional prices agreed with such marketers/off-takers at the time of shipment of goods, which are later adjusted based on actual selling prices received by the marketers/off-takers from their final customers, after deducting the costs of shipping and distribution (settlement price). The Group estimates the variable consideration as the most likely amount based on available market information and recently published prices of petrochemical products. The Group includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the relevant variable consideration is subsequently resolved.

ii) Direct sales - Final customers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Sales are made directly to the final customers. Sipchem, SaMC, SMC and SMC affiliates provide trading activities of petrochemical products for Sipchem affiliates and third party entities. For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acting as principal, records the sale on a gross basis, while net accounting is followed where it acts as an agent.

Furthermore, in case of consignment sales by SMC, the Group recognizes revenue when the final customer obtains the control of the products delivered to them (i.e. when the customer actually acquires the product possession).

iii) Sale of specific product

The Group has determined that for these type of products, the customers control all of the work in progress as the products are being manufactured. This is because under those contracts, products are made to a customer's specifications and if a contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

Invoices are issued according to contractual terms and are payable as per payment terms agreed with the customers. Uninvoiced amounts are presented as contract assets.

Revenue and associated costs are recognised over time - i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For the current year ended, the Group has no contract for rendering of services.

f) Other income

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in income statement.

Any other income is recognized when the realization of income is virtually certain.

Notes to the Consolidated Financial Statements

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

g) Foreign currency transactions

The consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies - Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at average exchange rates. The exchange differences arising on the translation are recognized in OCI and accumulated in foreign currency translation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the income statement. Components of shareholders equity are translated at the exchange rates in effect at the dates the related items originated.

h) Property, plant and equipment

Property, plant and equipment are initially recorded at cost net of accumulated depreciation and accumulated impairment losses. Construction work in progress are not depreciated. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Repair and maintenance is charged to income statement. Plant and machinery include planned turnaround costs which are depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the net book value of planned turnaround costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Class of assets	No of Years
- Buildings and land improvements	10 - 33.33
- Plant and machinery	1.5 - 30
- Computers	4
- Furniture and fixtures	2 - 10
- Office equipment	2 - 20
- Vehicles	4
- Catalysts and tools	2 - 10
- Capital spares	2 - 20

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

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

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs are not capitalized and expenditure is recognized in the income statement when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Research and development costs

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

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

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

A summary of the policies applied to the Group's intangible assets is as follows:

	Software license cost	Deferred costs	Right to use	Customer contract
Useful lives	5 – 10 years	10 – 15 years	16 years	30 years
Amortisation method used	Amortised on a straight-line basis over the useful life	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Internally generated/ acquired	Acquired	Acquired

j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

j) Leases (continued)

i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments.

The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a lessor

The Group has no material lease contract as a lessor.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI ("FVOCI"); or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

k) Borrowing costs (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) *Financial assets - Business model and assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

iv) *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 2.3. l) (ix) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

v) *Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. see Note 2.3. l) (ix) for financial liabilities designated as hedging instruments.

vi) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

vii) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

viii) *Derivative financial instruments and hedge accounting*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

m) Impairment

i) *Financial instruments and contract assets*

The Group recognises loss allowances for Expected credit losses "ECL" on financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

I) Financial instruments and contract assets *(continued)*

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ii) *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of the customers on due dates.

iii) *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.
- Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iv) *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is no longer recoverable based on historical experience of recoveries of similar assets. For off-takers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

v) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

The following specific criteria are also applied in assessing impairment of specific asset:

Goodwill

Goodwill is tested for impairment annually as at each year-end. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

n) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs 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. The cost of spare parts, finished goods and raw materials are arrived at using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

o) Cash and cash equivalent

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value.

p) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

q) Cash dividends to owners of equity

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

r) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

s) Zakat and income tax

The Group is subject to Zakat and income tax in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat and income taxes are provided on an accrual basis. The Zakat charge is computed on the higher of Zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The Zakat and income tax charge in the consolidated income statement represents:

i) the Zakat for the Company and the Company's share of Zakat in subsidiaries and

ii) the Zakat and income tax assessable on the non-controlling shareholders.

Income tax is provided for in accordance with foreign fiscal regulations in which the Group's foreign subsidiaries operate. Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

t) Employees' end of service benefits

The Group is operating an unfunded end of service defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense

The defined benefit liability comprises the present value of the defined benefit obligation.

u) Employees' home ownership program

The Group has an employees' home ownership programs ("HOP") under which eligible Saudi employees have the opportunity to buy residential units constructed by the Group through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment. Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee subject to certain deductions in case the employee discontinues employment and the house is returned back to the Group.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
(Expressed in Saudi Riyal)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

u) Employees' home ownership program (continued)

Costs relating to HOP are recognized as long term prepaid employees benefits at time the residential units are allocated to the employees and are amortized over the period during which employees repay such residential unit costs.

v) Employees' savings plan (thrift plan)

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

w) Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Annual General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

x) Share based payments transactions

Employees of the group receives some remuneration in the form of share based payment, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the services and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service conditions are not taken into account when determining the grant date fair value of awards but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. There are no market and non-vesting market conditions. No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

y) Segment reporting

A business segment is group of assets, operations or entities:

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

The Group's Board of Directors ("BOD") are considered to be the chief operating decision maker. Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 4 to these consolidated financial statements.

z) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

aa) Statutory reserves

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

ab) Short term investments

Short term investments in the statements position are deposits having maturity of more than three months but less than an year from date of placement.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Significant accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. As explained in note 1, Management has assessed the potential impact of COVID-19 pandemic both locally and in the markets in which the Group operates. As a result, the Management of the Group have revised certain estimates related to value in use of Cash Generating Units (CGUs) (Refer Note 6). Further, in line with implementation of certain efficiency enhancement projects completed in September 2020, the management of the Company has reassessed useful economic life of certain plant and machinery, the effect of such a revision in useful economic life is disclosed in note 6.

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

i) Employees' end of service benefits

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. Age-wise withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on A1949-52 mortality table. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of EOSB Schemes. If any other mortality table is used it will not make any significant difference in the results.

ii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and marketing terms forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes.

iii) Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. For the current year ended, the management of the Company has re-assessed the life of its certain plant assets and updated the same in line with management's best estimate.

iv) Provisional price

The Group markets and sells its petrochemical products primarily through distribution platform of various marketers. The portion of sales made through the distribution platforms are initially recorded at provisional estimated prices agreed with marketers at the time of shipment, which requires estimation. These prices are subsequently adjusted based on actual selling prices received by the marketers from their customers after deducting shipping and distribution costs.

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For The Year Ended 31 December 2020
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Significant accounting estimates and assumptions (continued)

v) Decommissioning liability

The Group reviews decommissioning liability provisions along with the interest rate used in discounting the cash flows at each balance sheet date and adjusts them to reflect the current best estimate. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

vi) Zakat and income tax

The Group is subject to Zakat and income tax in accordance with the General Authority of Zakat and Income Tax ("GAZT") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Company retains exposure to additional Zakat and income tax liability.

vii) Impairment of financial assets

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its trade receivable and debt instruments as part of its financial assets, which are carried at amortised cost. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised.

3. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES DUE TO NEW STANDARDS

A. New and revised standards with no material effect on the financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- Amendments to references to conceptual framework in IFRS standards, effective for annual periods beginning on or after 1 January 2020.
- Definition of a Business (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2020.
- Definition of a Material (Amendments to IAS 1 and IAS 8), effective for annual periods beginning on or after 1 January 2020.
- Extension of Temporary Exemption from applying IFRS 9 (Amendments to IFRS 4), effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform Phase 1 - (Effective from 1 January 2020):

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

As at 31 December 2020, the Group has long-term borrowings amounting to SAR 300 million which are exposed to the impact of LIBOR. The group believes that IBOR reforms (phase 1 and phase 2), will not have any material effect on the consolidated financial statements. However, relief available to continue using LIBOR as a reference rate which is provided in Phase 1, is applicable and availed by the Group in the preparation these consolidated financial statements.

B. New and revised standards issued but not yet effective

- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022.
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Group.

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4. SEGMENT INFORMATION

The Group has the following operating segments:

- **Basic Chemicals,** which includes Methanol, Butane products and Carbon monoxide.
- **Intermediate chemicals**, which includes Acetic Acid, Vinyl Acetate Monomer, Ethyl Acetate, Butyl Acetate, and utilities.
- **Polymers**, which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products. This segment also includes polypropylene.
- **Trading**, which includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries as defined in Note 1.
- **Corporate and others**, which includes Sipchem, EVA films and Tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in these consolidated financial statements.

Year ended 31 December 2020	**Basic Chemicals**	**Intermediate Chemicals**	**Polymers**	**Marketing**	**Corporate and Others**	**Inter segment transaction elimination**	**Total**
Revenue							
External customers	**1,222,049**	**1,290,958**	**2,271,925**	**488,608**	**49,483**	**-**	**5,323,023**
Inter-segment	**469,539**	**940,996**	**62,313**	**3,174,927**	**-**	**(4,647,775)**	**-**
Total revenue	**1,691,588**	**2,231,954**	**2,334,238**	**3,663,535**	**49,483**	**(4,647,775)**	**5,323,023**
Gross profit/(loss)	**617,966**	**(72,126)**	**455,186**	**153,649**	**(6,426)**	**24,694**	**1,172,943**
Operating profit/(loss)	**348,564**	**(306,682)**	**237,034**	**101,458**	**(71,721)**	**50,979**	**359,632**
Share of loss from associates and joint ventures	**-**	**-**	**-**	**-**	**(33,757)**	**-**	**(33,757)**
Profit / (loss) before Zakat and tax	**207,675**	**(58,670)**	**142,872**	**100,496**	**(136,614)**	**(70,784)**	**184,975**
Total assets	**3,771,818**	**5,374,418**	**7,244,750**	**1,227,093**	**25,248,682**	**(19,101,680)**	**23,765,081**
Total liabilities	**2,275,066**	**2,422,839**	**3,235,390**	**823,504**	**5,247,748**	**(4,075,342)**	**9,929,205**
Capital expenditure	**114,750**	**133,783**	**122,463**	**340**	**144,132**	**-**	**515,468**

Year ended 31 December 2019	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Inter segment transaction elimination	Total
Revenue							
External customers	1,407,342	1,334,214	2,261,348	402,780	34,046	-	5,439,730
Inter-segment	433,014	991,292	324,501	2,502,046	110,136	(4,360,989)	-
Total revenue	1,840,356	2,325,506	2,585,849	2,904,826	144,182	(4,360,989)	5,439,730
Gross profit	789,149	78,050	629,419	120,552	(18,313)	36,385	1,635,242
Operating profit/(loss)	506,029	(51,882)	396,846	70,477	(80,778)	65,575	906,267
Share of profits from associates and joint venture	-	-	-	-	(27,183)	-	(27,183)
Profit / (loss) before Zakat and tax	189,107	(243,871)	188,541	69,841	190,907	(4,528)	389,997
Total assets	3,976,020	5,556,897	7,408,382	935,444	25,564,582	(19,450,053)	23,991,272
Total liabilities	1,951,136	2,416,905	3,363,331	578,427	5,130,424	(3,786,951)	9,653,272
Capital expenditure	301,873	266,275	32,213	560	72,079	-	673,000

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4. SEGMENT INFORMATION (continued)

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 December 2020	**748,293**	**4,574,730**	**5,323,023**
31 December 2019	704,452	4,735,278	5,439,730

	For the year ended 31 December 2020					
	Basic Chemicals	**Intermediate Chemicals**	**Polymers**	**Marketing**	**Corporate and Others**	**Total**
Revenue:						
Foreign countries	1,034,486	1,290,958	2,225,058	24,228	-	4,574,730
Saudi Arabia	187,563	-	46,867	464,380	49,483	748,293
Total revenue	**1,222,049**	**1,290,958**	**2,271,925**	**488,608**	**49,483**	**5,323,023**

	For the year ended 31 December 2019					
	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Total
Revenue:						
Foreign countries	1,299,117	1,161,567	2,078,482	196,112	-	4,735,278
Saudi Arabia	108,225	172,647	182,866	206,668	34,046	704,452
Total revenue	1,407,342	1,334,214	2,261,348	402,780	34,046	5,439,730

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5. NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non- controlling interests:

Subsidiaries	Country of Incorporation	2020	2019
International Methanol Company ("IMC")	KSA	35.00%	35.00%
International Diol Company ("IDC")	KSA	46.09%	46.09%
International Acetyl Company ("IAC")	KSA	10.48%	10.48%
International Vinyl Acetate Company ("IVC")	KSA	10.48%	10.48%
International Gases Company ("IGC")	KSA	3.00%	3.00%
International Polymers Company ("IPC")	KSA	25.00%	25.00%
Gulf Advance Cable Insulation Company (GACI)	KSA	50.00%	50.00%
Saudi Specialized products Company (SSPC)	KSA	-	25.00%

The summarized information of these subsidiaries is provided below:

Summarized statements of financial positions as at 31 December 2020

	IMC	IDC	IAC	IVC	IGC	IPC	GACI	SSPC	Total
Current assets	**409,731**	**183,318**	**266,027**	**328,936**	**180,514**	**538,190**	**53,050**	**-**	**1,959,766**
Non-current assets	**1,444,919**	**509,577**	**2,433,280**	**1,574,251**	**1,043,759**	**2,412,969**	**139,475**	**-**	**9,558,230**
Current liabilities	**(145,129)**	**(426,538)**	**(401,054)**	**(312,888)**	**(94,735)**	**(388,957)**	**(96,653)**	**-**	**(1,865,954)**
Non-current liabilities	**(206,560)**	**(1,104,442)**	**(681,069)**	**(388,777)**	**(297,662)**	**(819,713)**	**(113,676)**	**-**	**(3,611,899)**
Equity	**1,502,961**	**(838,085)**	**1,617,184**	**1,201,522**	**831,876**	**1,742,489**	**(17,804)**	**-**	**6,040,143**
Attributable to:									
Equity holder of parent	**977,037**	**(447,190)**	**1,444,218**	**1,076,832**	**803,405**	**1,346,882**	**(10,241)**	**-**	**5,190,943**
Non-controlling	**525,924**	**(390,895)**	**172,966**	**124,690**	**28,471**	**395,607**	**(7,563)**	**-**	**849,200**

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5. NON-CONTROLLING INTERESTS (continued)

Summarized statements of financial positions as at 31 December 2019

	IMC	IDC	IAC	IVC	IGC	IPC	GACI	SSPC	Total
Current assets	427,898	159,067	291,191	371,254	145,519	432,883 55,178	51,597	1,934,587	1,959,766
Non-current assets	1,504,829	629,106	2,617,477	1,773,171	1,109,601	2,529,073	183,002	308,017	10,654,276
Current liabilities	(170,393)	(313,629)	(464,990)	(417,522)	(52,008)	(348,001)	(68,609)	(186,415)	(2,021,567)
Non-current liabilities	(262,651)	(1,089,379)	(799,031)	(425,323)	(64,462)	(996,649)	(126,629)	(109,324)	(3,873,448)
Equity	1,499,683	(614,835)	1,644,647	1,301,580	1,138,650	1,617,306	42,942	63,875	6,693,848
Attributable to:									
Equity holder of parent	1,000,636	(326,855)	1,448,224	1,161,200	1,101,015	1,247,298	20,191	46,320	5,698,029
Non-controlling interests	499,047	(287,980)	196,423	140,380	37,635	370,008	22,751	17,555	995,819

Summarized statements of comprehensive income for the year ended 31 December 2020

	IMC	**IDC**	**IAC**	**IVC**	**IGC**	**IPC**	**GACI**	**SSPC**	**Total**
Revenue	**704,811**	**297,673**	**772,173**	**886,548**	**329,252**	**979,388**	**105,188**	**13,774**	**4,088,807**
Profit/(loss) before Zakat and tax	**168,020**	**(221,901)**	**3,917**	**(91,007)**	**104,749**	**247,759**	**(60,853)**	**(206,697)**	**(56,013)**
Profit/(loss) after Zakat and tax	**154,684**	**(221,956)**	**(23,629)**	**(98,365)**	**103,505**	**225,911**	**(60,971)**	**(208,505)**	**(129,326)**
Other comprehensive income/(loss)	**(492)**	**(597)**	**(402)**	**(177)**	**(37)**	**(182)**	**112**	**(51)**	**(1,826)**
Total comprehensive income/(loss)	**154,192**	**(222,553)**	**(24,031)**	**(98,542)**	**103,468**	**225,729**	**(60,859)**	**(208,556)**	**(131,152)**
Attributable to:									
Equity holder of parent	**102,935**	**(119,639)**	**(574)**	**(82,851)**	**100,362**	**176,506**	**(30,545)**	**(156,830)**	**(10,636)**
Non-controlling interests	**51,257**	**(102,914)**	**(23,457)**	**(15,691)**	**3,106**	**49,223**	**(30,314)**	**(51,726)**	**(120,516)**

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5. NON-CONTROLLING INTERESTS (continued)

Summarized statements of comprehensive income for the year ended 31 December 2019

	IMC	IDC	IAC	IVC	IGC	IPC	GACI	SSPC	Total
Revenue	847,090	253,263	742,396	1,032,557	316,425	1,084,057	102,112	34,045	4,411,945
Profit/(loss) before Zakat and tax	319,095	(425,611)	(22,310)	(124,934)	75,836	264,578	(25,202)	(54,815)	6,637
Profit/(loss) after Zakat and tax	287,286	(425,885)	(377)	(122,787)	74,242	256,243	(18,278)	(61,459)	(11,015)
Other comprehensive income/(loss)	(1,130)	(1,496)	(9)	(292)	(83)	(623)	(245)	(304)	(4,182)
Total comprehensive income/(loss)	286,156	(427,381)	(386)	(123,079)	74,159	255,620	(18,523)	(61,763)	(15,197)
Attributable to:									
Equity holder of parent	193,841	(227,268)	(17,567)	(115,229)	71,981	194,030	(12,792)	43,803	43,803
Non-controlling interests	92,315	(200,113)	17,181	(7,850)	2,178	61,590	(5,731)	(18,570)	(59,000)

6. PROPERTY, PLANT AND EQUIPMENT

2020	Land, buildings and lease hold improvements	Plant and machinery	Catalyst and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2020	**1,221,555**	**18,982,580**	**929,514**	**303,651**	**529,997**	**21,967,297**
Additions	**1,211**	**108,451**	**114,665**	**2,165**	**281,849**	**508,341**
Transfers**	**1,607**	**146,982**	**3,563**	**-**	**(234,313)**	**(82,161)**
Disposal/write off	**-**	**(160,200)**	**(227,822)**	**-**	**(230)**	**(388,252)**
At 31 December 2020	**1,224,373**	**19,077,813**	**819,920**	**305,816**	**577,303**	**22,005,225**
Accumulated Depreciation:						
At 1 January 2020	**225,500**	**6,988,269**	**607,752**	**174,751**	**-**	**7,996,272**
Depreciation charge for the year	**36,158**	**745,161**	**68,589**	**19,116**	**-**	**869,024**
Impairment loss	**-**	**280,000**	**-**	**-**	**-**	**280,000**
Disposal/write off	**-**	**(114,232)**	**(41,558)**	**-**	**-**	**(155,790)**
At 31 December 2020	**261,658**	**7,899,198**	**634,783**	**193,867**	**-**	**8,989,506**
Carrying amount at 31 December 2020	**962,715**	**11,178,615**	**185,137**	**111,949**	**577,303**	**13,015,719**

** Transfers mainly include SR 110 million related to CO2 plant (which commenced the commercial operation on 18 June 2020 after successful commissioning, testing and completion of acceptance formalities), SR 27 million related to additional cost of Debottlenecking plant and Saudi Energy Efficiency Centre, SR 42 million relating to new reactor for IAC, SR 20 million related to turnaround cost and remaining pertains to various plant items.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

2019	Land, buildings and lease hold improvements	Plant and machinery	Catalyst and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2019	636,828	14,328,286	795,313	258,267	994,824	17,013,518
Effect of business combination	470,025	3,670,490	-	42,839	125,724	4,309,078
Additions	351	19,426	113,444	1,073	536,106	670,400
Transfers**	114,351	966,296	33,738	2,017	(1,116,402)	-
Transfer to intangibles (note 8)	-	-	-	-	(7,819)	(7,819)
Disposal/write off	-	(1,918)	(12,981)	(545)	(2,436)	(17,880)
At 31 December 2019	1,221,555	18,982,580	929,514	303,651	529,997	21,967,297
Accumulated depreciation:						
At 1 January 2019	86,085	4,987,261	547,425	118,191	-	5,738,962
Effect of business combination	110,545	865,749	-	36,864	-	1,013,158
Depreciation charge for the year	28,870	681,976	73,308	20,185	-	804,339
Impairment loss	-	453,940	-	-	-	453,940
Disposal/write off	-	(657)	(12,981)	(489)	-	(14,127)
At 31 December 2019	225,500	6,988,269	607,752	174,751	-	7,996,272
Carrying amount at 31 December 2019	996,055	11,994,311	321,762	128,900	529,997	13,971,025

** Transfers mainly include SR 459 million related to Debottlenecking plant, SR 259 million related to Saudi Energy Efficiency Centre (both have commenced the commercial operations on 1 October 2019 after successful commissioning, testing and completion of acceptance formalities), SR 250 million related to turnaround cost and 130 million related to Ethylene-vinyl acetate (EVA) film plant which has commenced the commercial operations starting from 1 January 2019 after successful commissioning, testing and completion of acceptance formalities.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1. Capital work in progress

The Group's capital work-in-progress as at 31 December 2020 is SR 577.3 million (2019: SR 530 million) and comprises mainly of Integration management office "IMO" related cost, turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

During 2020, SR 26.3 million (2019: SR 8.9 million) has been capitalized as borrowing cost which is part of capital work in progress.

6.2. Property, plant and equipment

Certain of the Group's property, plant and equipment which has carrying amount of SR 6,300.2 million (2019: 8,013.9 SR million) are pledged as security against Saudi Industrial Development Fund Loans, syndicated bank loans and Public Investment Fund loans (note 19).

6.3. Impairment

IDC and PBT CGUs

Following Covid-19 and economic outlook for the near term, management re-assessed the recoverable amount of PBT and IDC CGUs during the year ended 31 December 2020.

Recoverable amount was estimated based on value-in-use calculations which used cash flow projections from revised financial budgets (in light of Covid-19) and five-year forecasts. As a result of the exercise, the Group determined that the recoverable amount of IDC CGU was less than its carrying amount, however, the recoverable value of PBT was in excess of its carrying amount. Therefore, an additional impairment loss of SR 100 million was recognized in 2020 financial results in IDC CGU.

This is in addition to the impairment loss of SR 256 million in IDC and SR 150 million in PBT previously recognized in the 2019 financial results and SR 400 million in IDC and SR 300 million in PBT recognised in 2016 financial results. The key assumptions used in the estimation of value in use were as follows:

	2020	2019
Discount rate	**10%**	10%
Terminal Value growth rate	**2%**	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2025 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's IDC CGU, the recoverable amount was equal to the carrying amount. Therefore, any movement in the key assumptions would cause a change in impairment loss. Furthermore, other CGUs were analyzed by the management considering current situation and recessionary outlook and there is no impairment on other CGUs.

EVA film business unit

In December 2020, the Group announced its plan to mothball EVA films business unit owned by SSPC (75%-owned subsidiary). The Group consequently measured the recoverable amount of EVA film assets and, as the recoverable amounts were determined to be less than the carrying amounts, an impairment loss of SR 180 million was recognized in the 2020 financial results. Following the impairment loss recognized in EVA films, the recoverable amount was equal to the carrying amount.

6.4. Assets written off

During 2020, Al Waha carried out a major overhaul of the plant. Accordingly, old turnaround cost amounting to SR 35.8 million were written off during the year. Furthermore, certain assets mainly related to IDC, IAC and IVC plants having a carrying amount of SR 9.9 million (2019: SR 3.75 million) were written off during the year.

6.5. Change in estimate of useful life

During 2020, the Group carried out a detailed assessment of useful life of various plants and machinery items, as a result, there have been changes in the expected economic useful life of the plants and machinery items. The effect of these changes was a reduction in depreciation expense, included in cost of sales, of approximately SR 19.7 million for 2020. The reduction to depreciation expense is expected to be approximately SR 78.8 million on an annualized basis from 2021 onwards.

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7. LEASES

The Group leases several land and vehicles. The lease period ranges from 3 to 30 years with an option to renew the lease after that date. Property, plant and equipment of the Group are constructed on land leased by the Group from the Royal Commission for Jubail and Yanbu. The land lease term is for an initial period of 30 years which commenced in 2002 and is renewable by mutual agreement of the parties. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

The Group leases IT equipment with contract terms of one to three years. These leases are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

7.1. Right-of-use assets

The movement in right-of-use assets at 31 December is as follows:

	Land	**Vehicles**	**Total**
Balance as at 1 January 2020	**64,421**	**3,187**	**67,608**
Depreciation charge for the year	**(3,051)**	**(1,338)**	**(4,389)**
Addition during the year	**-**	**1,169**	**1,169**
Impact of reduction in rentals	**(3,245)**	**-**	**(3,245)**
Balance as at 31 December 2020	**58,125**	**3,018**	**61,143**

	Land	Vehicles	Total
Balance as at 1 January 2019	60,780	4,916	65,696
Depreciation charge for the year	(3,440)	(1,729)	(5,169)
Effect of business combination	7,081	-	7,081
Balance as at 31 December 2019	64,421	3,187	67,608

7.2. Lease liabilities

	Land	**Vehicles**	**Total**
Current portion	**2,528**	**1,370**	**3,898**
Non-current portion	**61,802**	**1,473**	**63,275**
Balance as at 31 December 2020	**64,330**	**2,843**	**67,173**

	Land	Vehicles	Total
Current portion	3,054	273	3,327
Non-current portion	65,704	2,890	68,594
Balance as at 31 December 2019	68,758	3,163	71,921

7.3. Amounts recognized in income statement

Leases under IFRS 16	**2020**	2019
Depreciation charge for the year	**4,389**	5,169
Interest on lease liabilities	**2,412**	2,933
	6,801	8,102

7.4. Amounts recognized in statement of cash flow

	2020	2019
Payment of lease liabilities	**6,194**	7,308
	6,194	7,308

7.5. Leases as lessor

The Group has no material lease contract as a lessor.

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8. INTANGIBLE ASSETS

	Computer Software	Deferred costs	Rights	Customer contracts	Total
Costs:					
Balance as at 1 January 2020	**209,488**	**81,723**	**301,201**	**6,750**	**599,162**
Additions	**2,587**	**4,780**	**-**	**-**	**7,367**
Transfers (note 6)	**8,813**	**-**	**73,348**	**-**	**82,161**
Balance as at 31 December 2020	**220,888**	**86,503**	**374,549**	**6,750**	**688,690**
Accumulated amortization:					
Balance as at 1 January 2020	**160,040**	**60,390**	**44,487**	**132**	**265,049**
Amortization	**19,757**	**3,066**	**21,205**	**225**	**44,253**
Balance as at 31 December 2020	**179,797**	**63,456**	**65,692**	**357**	**309,302**
Carrying amount at 31 December 2020	**41,091**	**23,047**	**308,857**	**6,393**	**379,388**

	Computer Software	Deferred costs	Rights	Customer contracts	Total
Costs:					
Balance as at 1 January 2019	157,536	81,723	301,201	-	540,460
Effect of business combination	44,028	-	-	6,750	50,778
Additions	105	-	-	-	105
Transfers (note 6)	7,819	-	-	-	7,819
Balance as at 31 December 2019	209,488	81,723	301,201	6,750	599,162
Accumulated amortization:					
Balance as at 1 January 2019	106,498	55,593	25,421	-	187,512
Effect of business combination	19,151	-	-	-	19,151
Amortization	34,391	4,797	19,066	132	58,386
Balance as at 31 December 2019	160,040	60,390	44,487	132	265,049
Carrying amount at 31 December 2019	49,448	21,333	256,714	6,618	334,113

8. INTANGIBLE ASSETS (continued)

Computer software mainly includes SAP and other programs which management has capitalized and amortization is calculated on 5 -10 years of useful life.

Deferred cost mainly includes costs related to Sipchem Total Optimization Project, and consideration paid to Tasnee for future price reduction. Amortization is calculated on 10 - 15 years of useful life.

Rights mainly represent the costs incurred by the Group on one of the plants of a supplier in accordance with a tolling agreement, giving the Group a right to a fraction of the output produced by the plant. The risk and rewards of the plant and the related ownership is with the supplier. Amortization is calculated on 16 years of useful life.

Customer contract relates to a beneficial long-term agreement to off-take a significant amount of polypropylene production. The Group acquired this contract as a result of business combination. The asset is amortized over 30 years.

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Notes	2020	2019
Investment in a joint venture	**9.1**	**120,628**	204,556
Investment in associates	**9.2**	**3,372,686**	3,355,123
		3,493,314	3,559,679

9.1. Investment in a joint venture (JV)

	Notes	2020	2019
Investment in a JV	**9.1.1**	**120,628**	204,556
		120,628	204,556

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO)

The Group has a 50% interest in SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic soda, Chlorine and Ethyl Dichloride. The Group's interest in SAMAPCO is accounted for using the equity method in these consolidated financial statements.

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9. INTANGIBLE ASSETS (continued)

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO) (continued)

The tables below provide summarised financial information for SAMAPCO. The information disclosed reflects the amounts presented in the financial statements of SAMAPCO and not the Group's share of those amounts.

	2020	2019
Non-current assets	**2,334,972**	2,442,557
Current assets (excluding cash and cash equivalents)	**323,584**	246,701
Cash and cash equivalents	**56,713**	67,203
Total current assets	**380,297**	313,904
Non-current liabilities	**(2,137,209)**	(2,202,480)
Current financial liabilities (excluding trade payables and provisions)	**(213,730)**	(58,381)
Other current liabilities	**(124,177)**	(87,114)
Total current liabilities	**(337,907)**	(145,495)
Net assets	**240,153**	408,486

Reconciliation to carrying amount:

	2020	2019
Balance as at 1 January	**204,556**	-
Effect of business combination	**-**	331,853
Share of loss	**(83,830)**	(68,829)
Share of changes in other comprehensive loss	**(98)**	(838)
Repayment of advances	**-**	(79,320)
Interest income on advances	**-**	21,690
Balance as at 31 December	**120,628**	204,556

Summarized income statement of SAMAPCO:

	2020	2019
Revenue	**522,992**	538,766
Cost of sales	**(531,386)**	(471,494)
Depreciation and amortisation	**(121,315)**	(139,606)
Finance cost	**(75,076)**	(170,705)
Financial income	**524**	1,390
Loss before zakat	**(164,973)**	(165,465)
Zakat expense	**(2,689)**	(7,655)
Loss after zakat	**(167,662)**	(173,120)
Other comprehensive loss	**(196)**	(1,676)
Total comprehensive loss	**(167,858)**	(174,796)

9.2. Investment in associates

	Notes	2020	2019
Investment in associates:		**3,178,072**	3,155,341
Tasnee and Sahara Olefins Company	9.2.1	**194,614**	199,782
Khair Inorganic Chemical Industries Company	9.2.2	**3,372,686**	3,355,123

9.2.1. Tasnee and Sahara Olefins Company (TSOC)

The Group has a 32.55% interest in TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, engaged in production and sale of Propylene, Ethylene and Polyethylene.

The Group's interest in TSOC is accounted for using the equity method in these consolidated financial statements.

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9. INTANGIBLE ASSETS (continued)

9.2.1. Tasnee and Sahara Olefins Company (TSOC) (continued)

The tables below provide summarised financial information for TSOC. The information disclosed reflects the amounts presented in the financial statements of TSOC and not the Group's share of those amounts. These have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed:

	2020	2019
Non-current assets	**9,824,441**	10,032,512
Current assets (excluding cash and cash equivalents)	**105,894**	35,446
Cash and cash equivalents	**227,226**	294,510
Total current assets	**333,120**	329,956
Non-current liabilities	**(202,500)**	(475,500)
Current financial liabilities (excluding trade payables and provisions)	**(101,250)**	(101,250)
Other current liabilities	**(90,149)**	(91,893)
Total current liabilities	**(191,399)**	(193,143)
Net assets	**9,763,662**	9,693,825

Reconciliation to carrying amount:

	2020	2019
Balance as at 1 January	**3,155,341**	-
Effect of business combination	-	3,359,754
Share of profit	**55,281**	83,938
Dividends	**(32,550)**	(286,370)
Share of changes in other comprehensive loss	-	(1,981)
Balance as at 31 December	**3,178,072**	3,155,341

Summarized income statement of TSOC:

	2020	2019
Share of profit in associated companies	**310,980**	363,359
Financial income	**733**	1,868
Zakat expense	**(7,333)**	(8,000)
Profit before zakat	**198,471**	265,872
Profit after zakat	**191,138**	257,872
Other comprehensive income	-	(6,087)
Total comprehensive income	**191,138**	251,785

9.2.2. Khair Inorganic Chemical Industries Company (Inochem)

The Group has a 30% interest in Inochem, a Saudi closed joint stock company and registered in the Kingdom of Saudi Arabia. It will engaged in production and sale of Dense Sodium Carbonate (Soda Ash), Calcium Chloride and Calcium Carbonate. The commercial operations are not yet started.

The Group's interest in Inochem is accounted for using the equity method in the consolidated financial statements.

The tables below provide summarised financial information for Inochem. The information disclosed reflects the amounts presented in the financial statements of Inochem and not the Group's share of those amounts.

	2020	2019
Non-current assets	**620,069**	178,400
Current assets (excluding cash and cash equivalents)	**73,746**	77,102
Cash and cash equivalents	**376,250**	431,264
Total current assets	**449,996**	508,366
Non-current liabilities	**(363,552)**	(4,396)
Current financial liabilities (excluding trade payables and provisions)	-	-
Other current liabilities	**(119,375)**	(78,005)
Total current liabilities	**(119,375)**	(78,005)
Net assets	**587,138**	604,365

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9. INTANGIBLE ASSETS (continued)

9.2.2. Khair Inorganic Chemical Industries Company (Inochem) (continued)

Reconciliation to carrying amount:

	2020	2019
Balance as at 1 January	**199,782**	-
Effect of business combination	**-**	242,043
Share of loss	**(5,208)**	(42,291)
Share of changes in other comprehensive income	**40**	30
Balance as at 31 December	**194,614**	199,782

	2020	2019
Share of net current assets	**176,141**	181,309
Goodwill	**18,473**	18,473
Balance as at 31 December	**194,614**	199,782

Summarized income statement of Inochem:

	2020	2019
General and administrative expenses	**(15,187)**	(148,953)
Financial income	**7,760**	17,303
Zakat expense	**(9,936)**	(12,511)
Loss before zakat	**(7,427)**	(131,650)
Loss after zakat	**(17,363)**	(144,161)
Other comprehensive income	**135**	100
Total comprehensive loss	**(17,228)**	(144,061)

10. LONG-TERM INVESTMENTS

	Notes	2020	2019
At fair value through other comprehensive income ("FVOCI")	10.1	**200,367**	204,197
At amortized cost	10.2	**60,255**	25,432
		260,622	229,629

10.1. At FVOCI

	2020	2019
Listed securities		
Riyad REIT Fund	**63,750**	65,325
Equity shares	**15,522**	15,634
Unlisted securities		
Mutual fund units	**121,095**	123,238
	200,367	204,197

10.2. At amortized cost

This includes investments in various Sukuks which earn profit at prevailing market rates which are based on Saudi inter-bank offer rate. Break-up is as follows:

		Number of certificates		Amount	
	Date of maturity	2020	2019	2020	2019
First Abu Dhabi Bank	March 2023	**14,000**	14,000	**5,255**	5,255
Bank Julius Baer	June 2021	**14,000**	14,000	**5,177**	5,177
Bank Al-Bilad	August 2026	**50,000**	50,000	**5,000**	5,000
Bank Al- Jazira	June 2026	**50,000**	50,000	**5,000**	5,000
Ma'aden Phosphate Company	February 2025	**50,000**	50,000	**5,000**	5,000
Banque Saudi Fransi	November 2025	**40**	-	**40,000**	-
OREIDCO Sukuk Limited	August 2020	**-**	200,000	**-**	20,000
				65,432	45,432

Presented in the statement of financial position as follows:

	2020	2019
Non-current assets	**60,255**	25,432
Current assets	**5,177**	20,000
	65,432	45,432

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10. LONG-TERM INVESTMENTS (continued)

10.3. Movement in long-term investments is as follows:

	FVOCI	Amortized cost	Total
Balance as at 1 January 2020	**204,197**	**25,432**	**229,629**
Purchases	**4,000**	**40,000**	**44,000**
Sales/ matured	**(16,417)**	**-**	**(16,417)**
Remeasurement recognised in other comprehensive income	**8,587**	**-**	**8,587**
Reclassified to short term investments	**-**	**(5,177)**	**(5,177)**
Balance as at 31 December 2020	**200,367**	**60,255**	**260,622**
Balance as at 1 January 2019	-	-	-
Effect of business combination	166,550	66,972	233,522
Addition	72,718	-	72,718
Sales/matured	(47,729)	(9,540)	(57,269)
Remeasurement recognised in other comprehensive income	12,658	-	12,658
Eliminated on business combination*	-	(12,000)	(12,000)
Reclassified to short term investments	-	(20,000)	(20,000)
Balance as at 31 December 2020	204,197	25,432	229,629

* This represents Sahara's investment in Sipchem sukuk which is eliminated in these consolidated financial statements following business combination.

11. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

11.1 Deferred tax assets

	2020	2019
Balance as at 1 January	**38,453**	9,872
(Credit)/charge for the year	**(33,483)**	28,581
Balance as at 31 December	**4,970**	38,453

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense and unused tax losses for subsidiaries. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

11.2 Deferred tax liabilities

	2020	2019
Balance as at 1 January	**42,712**	35,319
Charge for the year	**6,688**	7,393
Balance as at 31 December	**49,400**	42,712

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

12. LONG TERM PREPAID EMPLOYEES' BENEFITS

	Employees' receivables	Employee loan	Deferred Costs	Total
Balance as at 1 January 2020	**816,918**	**-**	**212,832**	**1,029,750**
Additions during the year	**(1,805)**	**7,257**	**1,676**	**7,128**
Amortization	**-**	**-**	**(28,911)**	**(28,911)**
Deductions	**(65,171)**	**-**	**-**	**(65,171)**
Balance as at 31 December 2020	**749,942**	**7,257**	**185,597**	**942,796**
Balance as at 1 January 2019	522,583	-	190,683	713,266
Effect of business combination	345,704	-	55,891	401,595
Additions during the year	-	-	2,372	2,372
Amortization	-	-	(36,114)	(36,114)
Deductions	(51,369)	-	-	(51,369)
Balance as at 31 December 2019	816,918	-	212,832	1,029,750

13. GOODWILL

On 31 December 2011, SMC acquired 100% of the voting shares of Sipchem Europe SA (Formerly Aectra SA), an unlisted Company registered in Switzerland and subsidiary of Sipchem Europe Cooperative U.A, for a consideration of SR 106 million. SR 30 million of goodwill arose on this transaction.

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11. GOODWILL (continued)

Further, as disclosed in Note 1 to these consolidated financial statements, on 16 May 2019, Sipchem acquired 100% shares and voting interests in Sahara Petrochemicals Company ("Sahara") and obtained control of Sahara. This business combination resulted in SR 600.9 million of goodwill.

Goodwill has been allocated based on the assessed fair values to the following cash-generating units:

Cash-generating units	Amount
Sahara	**342,295**
Al-Waha	**258,644**
	600,939

Goodwill is tested annually for any impairment by the Group's management, using discounted cash flow model. As a result of the goodwill assessment test performed during the year ended 31 December 2020, management found no evidence of impairment in goodwill.

The Group uses value in use as the basis to determine the recoverable amounts. The key assumptions used are as follows:

- The projected cash flows used were based on 5 years' business plan forecasts approved by the management. This is the best available information on projected sales and production volumes, sales prices and production costs.
- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2% (2019: 2%). Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the Group's activities.
- A discount rate of 10% (2019: 10%) was applied to the cash flow projections, which is based on the weighted average cost of capital.

The Group assessed sensitivity of the discounted cash flow model used to the following key assumptions:

- Decreasing the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.
- Increasing the discount rate by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.

As such, any reasonably expected changes to key assumptions will not have any material impact on the carrying value of Goodwill allocated to different cash-generating units.

14. INVENTORIES

	Notes	2020	2019
Raw materials		**109,555**	150,269
Finished goods	14.1	**450,216**	474,377
Spare parts and consumables		**395,826**	364,145
		955,597	988,791
Provision for slow moving stores and spares	14.2	**(48,071)**	(31,324)
		907,526	957,467

14.1. As at 31 December, finished goods includes the inventories amounting to SR 7.9 million (2019: SR 8.9 million) which are semi-finished products.

14.2. Movement in provision for slow moving stores and spares is as follows:

	2020	2019
Balance as at 1 January	**31,324**	25,843
Provision for the year	**16,747**	5,481
Balance as at 31 December	**48,071**	31,324

14.3. As at 31 December 2020, the Group wrote down its finished goods inventory by SR 7.5 million (2019: Nil) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the consolidated income statement.

15. TRADE RECEIVABLES

	Notes	2020	2019
Trade receivables		**1,130,945**	926,615
Less: Impairment provision	15.1	**(70,027)**	(84,257)
		1,060,918	842,358

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15. TRADE RECEIVABLES (continued)

15.1. Movement in impairment provision is as follows:

	2020	2019
Balance as at 1 January	**84,257**	90,696
Provision (reversal)/recognized during the year	**(14,230)**	1,256
Write-off during the year	**-**	(7,695)
Balance as at 31 December	**70,027**	84,257

Trade receivables include an amount of SR 339.3 million (2019: SR 354.2 million) from related parties. For terms and conditions relating to related party receivables, refer to note 35. Trade receivables are non-interest bearing and are generally on terms in accordance with the agreements with customers. The management analyse customers outstanding balance on regular basis and write off any balance which management realize to be un-collectible.

Trade receivables amounting to SR 162.8 million (2019: SR 238.9 million) are secured.

Please refer note 19 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

16. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
Advances, deposits and prepayments	**99,615**	130,413
Due from related parties (note 35)	**38,894**	31,114
VAT input tax receivable	**31,239**	12,733
Accrued investment income	**1,264**	5,504
Others	**18,855**	7,776
	189,867	187,540

17. CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	**186**	24
Cash at bank	**952,335**	846,566
Short term deposits	**1,544,350**	944,687
	2,496,871	1,791,277

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. Short term deposits represents deposits with commercial banks carrying profit rate ranging from 0.1% - 2.9% (2019: 1.2% - 3.01%).

18. SHARE CAPITAL AND RESERVES

	2020	2019
Authorized shares		
Ordinary shares @ SR 10 each		
Ordinary shares issued and fully paid		
As at 1 January	**733,333**	366,667
Issued during the year	**-**	366,666
As at 31 December	**733,333**	733,333

Statutory reserve

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution to shareholders.

Other reserves

Other reserves include cash flow hedge reserve, fair value investment reserve, reserve for results of sale/purchase of shares in subsidiaries, foreign currency translation reserve, share based payment premium reserve, share based payment transactions reserve and unrealised gain/(loss) on employees' benefits. The gains or losses resulting from sale/purchase of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

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18. SHARE CAPITAL AND RESERVES (continued)

Movement in other reserves during the year is as follows:

31 December 2020	**Cash flow hedge reserve**	**Fair value investment reserve**	**Reserve for results of sale /purchase of shares in subsidiaries**	**Foreign currency translation reserve**	**Shares based payment Premium reserve**	**Shares based payment transaction reserve**	**Unrealised gain/(loss) on employees' benefits**	**Total**
As at 1 January 2020	**(2,632)**	**12,658**	**12,850**	**(8,427)**	**36,449**	**4,592**	**(55,923)**	**(433)**
Exchange difference on translation of foreign operations	-	-	-	**108**	-	-	-	**108**
Changes in the fair value of derivative financial instruments	**3,688**	-	-	-	-	-	-	**3,688**
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	**(79,832)**	**(79,832)**
Changes in the fair value of investment	-	**8,587**	-	-	-	-	-	**8,587**
Net change in share premium accounts	-	-	-	-	**(6,742)**	**6,548**	-	**(194)**
Net change in reserve for sale purchase in subsidiaries	-	-	**(14,102)**	-	-	-	-	**(14,102)**
	1,056	**21,245**	**(1,252)**	**(8,319)**	**29,707**	**11,140**	**(135,755)**	**(82,178)**

31 December 2019	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale / purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment Premium reserve	Shares based payment transaction reserve	Unrealised gain/(loss) on employees' benefits	Total
As at 1 January 2019	-	-	12,850	(9,061)	35,845	2,619	(1,217)	41,036
Exchange difference on translation of foreign operations	-	-	-	634	-	-	-	634
Changes in the fair value of derivative financial instruments	(2,632)	-	-	-	-	-	-	(2,632)
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	(54,706)	(54,706)
Changes in the fair value of investment	-	12,658	-	-	-	-	-	12,658
Net change in share premium accounts	-	-	-	-	604	1,973	-	2,577
	(2,632)	12,658	12,850	(8,427)	36,449	4,592	(55,923)	(433)

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18. SHARE CAPITAL AND RESERVES (continued)

As at 31 December 2020, the Group had following share-based payments arrangements:

Share purchase plan (Equity-settled)

The Group had offered to its employees to participate in an employee share purchase plan. To participate in plan, employees must have fulfil eligibility criteria of the Company i.e. must have completed one year of service and having good performance rating from the Company. Under the terms of Plan, at the end of 36 months period the employees are entitled to purchase shares using funds saved at a price of 30% below the market price at grant date. Only employees that remain in services and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. The subscriber pays 25% of value of the allotted shares in cash and remaining is paid in equal monthly instalments not exceeding 20% of the subscriber's monthly salary. Employees who ceases their employment, before completion of 36 instalments, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

The key terms and conditions related to the grant under these programmes are as follows; all options are to be settled by the physical delivery of shares.

31 December 2020:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-18	**28,834**	**3 years services from grant date**	**22.6**	**15.8**	**3 Years**
1-Nov-18	**168,712**	**3 years services from grant date**	**21.1**	**14.8**	**3 Years**
1-May-19	**318,706**	**3 years services from grant date**	**21.0**	**14.7**	**3 Years**
1-Nov-19	**321,327**	**3 years services from grant date**	**16.7**	**11.7**	**3 Years**
1-May-20	**2,058,384**	**3 years services from grant date**	**13.8**	**9.7**	**3 Years**
1-Nov-20	**490,258**	**3 years services from grant date**	**16.6**	**11.6**	**3 Years**

31 December 2019:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-17	157,810	3 years services from grant date	18.1	12.6	3 Years
1-Nov-17	226,806	3 years services from grant date	15.2	10.6	3 Years
1-May-18	33,928	3 years services from grant date	22.6	15.8	3 Years
1-Nov-18	198,866	3 years services from grant date	21.1	14.8	3 Years
1-May-19	374,626	3 years services from grant date	21.0	14.7	3 Years
1-Nov-19	317,827	3 years services from grant date	16.7	11.7	3 Years

The Group has, under share based payments arrangements, cash and cash equivalent of SR 15.9 million (2019: SR 9.9 million) and short-term investments of SR 20 million (2019: SR 33.6 million). The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted SR 3.8 million (2019: SR 1.9 million).

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19. FINANCIAL INSTRUMENTS

19.1. Financial assets

31 December 2020	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	**298,079**	**20,036**	-	**318,115**
Long term investment	**60,255**	-	**200,367**	**260,622**
Trade receivables (note 15)	**1,060,918**	-	-	**1,060,918**
Prepayments and other current assets	**166,483**	-	-	**166,483**
Cash and cash equivalent (note 17)	**2,496,871**	-	-	**2,496,871**
	4,082,606	**20,036**	**200,367**	**4,303,009**

31 December 2019	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	315,278	33,622	-	348,900
Long term investment	25,432	-	204,197	229,629
Trade receivables (note 15)	842,358	-	-	842,358
Prepayments and other current assets (note 16)	136,510	-	-	136,510
Cash and cash equivalent (note 17)	1,791,277	-	-	1,791,277
	3,110,855	33,622	204,197	3,348,674

19.2. Financial liabilities

Financial liabilities measured at amortized cost:

a. Other financial liabilities

	2020	2019
Lease liabilities (note 7)	**67,173**	71,921
Trade and other payables (note 24)	**226,848**	187,934
Accrued expenses and other current liabilities (note 25)	**927,095**	645,454
Total other financial liabilities measured at amortized cost	**1,221,116**	905,309

b. Loans and borrowings

	2020	2019
Current loans and borrowings		
Shari'a compliant loans	**692,303**	465,708
Saudi Industrial Development Fund ("SIDF")	**331,500**	255,722
Public Investment Fund loans ("PIF")	**54,208**	114,583
	1,078,011	836,013
Islamic Murabaha bonds (SUKUK)	**987,773**	-
Other current loans		
Advances from non-controlling shareholders	-	21,500
Total current loans and borrowings	**2,065,784**	857,513
Non-current loans and borrowings		
Shari'a compliant loans	**4,909,272**	5,066,707
Saudi Industrial Development Fund ("SIDF")	**132,523**	292,665
Public Investment Fund loans ("PIF")	**298,121**	352,329
	5,339,916	5,711,701
Other non-current loans & liabilities		
Advances from non-controlling shareholders	**53,326**	74,474
Islamic Murabaha bonds (SUKUK)	-	987,445
Total non-current loans and borrowings	**5,393,242**	6,773,620
Total loans and borrowings	**7,459,026**	7,631,133
Total financial liabilities measured at amortized cost	**8,680,142**	8,536,442

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19. FINANCIAL INSTRUMENTS (continued)

Aggregate maturities of the long term loans at 31 December were as follows:

	2020	2019
2020	-	857,513
2021	**1,627,293**	2,699,288
2022	**1,372,802**	1,285,801
2023	**1,266,511**	1,107,122
2024	**669,031**	903,923
2025	**457,604**	238,841
2026 and above	**2,065,785**	538,645
	7,459,026	7,631,133

Financial liabilities measured at fair value

	2020	2019
Derivative financial instruments	**6,880**	10,568
	6,880	10,568

Secured loan - Saudi Industrial Development Fund

The Saudi Industrial Development Fund ("SIDF") granted loans to IPC, SCC and GACI. These loans are secured by guarantees from shareholders of relevant affiliates proportionate to their respective shareholdings and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual instalments. The loan agreements include covenants to maintain financial ratios during the loans period. Management fees and follow-up fees are charged to the loans as stated in the loan agreements.

Shari'a compliant bank loans

The Group entered into Shari'a compliant credit facility agreements with individual financial institutions as well as syndicates of financial institutions. The loans are secured by second priority mortgage on the assets already mortgaged to SIDF. The loans are repayable in unequal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at SIBOR plus a fixed margin.

Secured loan - Public Investment Fund

The Public Investment Fund ("PIF") granted loan to IPC to finance the construction of plants of these companies. The obligation under these loan agreements at all times are pari passu with all other creditors. The loans are repayable in equal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR plus a fixed margin. In March 2021, the Group refinanced the PIF loan and replaced it with a Shari'a compliant bank loans.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. As at 31 December 2020, the Group has long-term borrowings amounting to SAR 352.3 million which are exposed to the impact of LIBOR. The Group believes that IBOR reforms (phase 1 and phase 2), will not have any material effect on the consolidated financial statements. However, relief available to continue using LIBOR as a reference rate which is provided in Phase 1, is applicable and availed by the Group in the preparation these consolidated financial statements.

Advances from non-controlling shareholders

The partners of GACI and SSPC have agreed to contribute advances to finance certain percentage of their projects' costs as per the shareholders agreements. As per the shareholder agreements, long term shareholders' advances shall be repaid after the repayment of external debt and funding of the reserve accounts. As of 31 December 2020, the shareholders of the subsidiaries of the Company had granted long term advances of SR 53.3 million (2019: SR 74.5 million) and short term advances of Nil (2019: SR 21.5 million). These advances carry finance charges at market rates.

Sukuk

On June 2016, the Company issued new Mudaraba/Murabaha Sukuk amounting to SR 1,000 million with a maturity of five years and with commission payable semi-annually at a rate of SIBOR plus 2.35% per annum.

Bank Facilities

The Group has bank facilities from local banks in the form of working capital facilities, letters of credit and guarantee, and other facilities ("the Facilities"). The Facilities carry commission at the prevailing market rates.

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19. FINANCIAL INSTRUMENTS (continued)

19.3. Financial assets measured at fair value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Total**
		As at 31 December 2020			
Short term investments					
Equity securities	**20,036**	**20,036**	**20,036**	**-**	**-**
Long term investments					
Listed mutual fund	**63,750**	**63,750**	**63,750**	**-**	**-**
Unlisted mutual fund	**121,095**	**121,095**	**-**	**121,095**	**-**
Equity shares	**15,522**	**15,522**	**15,522**	**-**	**-**
Total	**220,403**	**220,403**	**99,308**	**121,095**	**-**

	Carrying amount	Fair value	Level 1	Level 2	Total
		As at 31 December 2019			
Short term investments					
Equity securities	33,622	33,622	33,622	-	-
Long term investments					
Listed mutual fund	65,325	65,325	65,325	-	-
Unlisted mutual fund	123,238	123,238	-	123,238	-
Equity shares	15,634	15,634	15,634	-	-
Total	237,819	237,819	114,581	123,238	-

19.4. Measurement at fair value

The financial assets and liabilities of the Group are recognised in the consolidated statement of financial position in accordance with the accounting policies. The carrying value of the financial assets and financial liabilities of the Group approximate the fair value.

19.5. Measurement at amortized cost

This represents deposits with banks having maturity of more than three months but less than a year from date of placement. The Group has the intention to hold the investment till maturity. The amount of such investments as at 31 December 2020 is SR 298.1 million (2019: SR 315.3 million). These investments are classified as short term investments. Refer to note 10 for long term investments carried at amortized cost.

19.6. Financial instruments risk management objectives and policies

The Group's principal financial assets include cash and cash equivalents, accounts receivable and certain other receivables, that arrive directly from its operations. The Group has entered into derivative transactions. The Group's principal financial liabilities, comprise short and long term loans and borrowings, including advances from partners, as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with group policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and derivative financial instruments.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. To manage this, the Group has a policy to assess implications of changes in interest rates and evaluate need of entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2020, fixed amount of interest on outstanding long term loan is approximately around 23% (2019: 24%) of finance charges on loans.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting (if any). With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease	Effect on profit before Zakat and income tax
31 December 2020		
Impact in SR in million due to change in base point	**+50 bps**	**36.1**
Impact in SR in million due to change in base point	**-50 bps**	**(36.1)**
31 December 2019		
Impact in SR in million due to change in base point	+50 bps	37.7
Impact in SR in million due to change in base point	-50 bps	(37.7)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing some volatility than in prior years.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties. The Group is subject to fluctuations in foreign exchange rates for Euros. The currency risk is monitored at the Group level. The Group monitors the fluctuations in Euro exchange rates and manages its foreign currency risk by entering into hedging transactions using forward exchange contracts. At 31 December 2020, the Group had receivables of € Nil (2019: € 19.4 million) included in amounts due from related parties.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's profit before zakat and foreign income tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's pre-tax equity, if any. The Group's exposure to foreign currency changes for all other currencies is not material.

Foreign currency sensitivity

	Change in Euro rate	Effect on profit before tax	Effect on equity
		SR in million	SR in million
31 December 2020			
Euro to Saudi Riyals	**+0.5**	**1.6**	**1.6**
Euro to Saudi Riyals	**-0.5**	**(1.6)**	**(1.6)**
31 December 2019			
Euro to Saudi Riyals	+0.5	12.9	11.9
Euro to Saudi Riyals	-0.5	(12.9)	(11.9)

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Commodity price risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production, mainly propane, ethane, ethylene, propylene, natural gas and utilities, with many of the inputs correlated to the prices of crude oil.

To manage the risk, the Board of Directors has developed and enacted a risk management strategy which includes procuring long term fixed-price contracts where possible to deal with commodity price risk. Further, prices of certain variable-price inputs like propane, propylene, ethylene are relatively co-related to the sales price of the final product sold by the group, which also mitigates the exposure. Sensitivity of the Group's product portfolio to volatility in crude oil prices cannot be reasonably determined and, therefore, has not been disclosed.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and contract assets, as disclosed in note 19.

Impairment provision on financial assets and contract assets recognised in profit or loss are as follows:

	2020	2019
Impairment provision (reversed)/recognized on trade receivables and contract assets arising from contracts with customers	**(14,230)**	1,256
	(14,230)	1,256

Trade receivables and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2020, the Group had 15 customers (2019: 15 customers) that owed SR 583 million (2019: SR 490 million) altogether and accounted for approximately 55% (2019: 53%) of the total trade receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group evaluates the concentration of risk with respect to trade receivables as normal, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by geographic region is as follows:

	2020	2019
Foreign countries	**1,000,796**	810,619
Saudi Arabia	**130,149**	115,996
	1,130,945	926,615

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by type of counterparty is as follows:

	2020	2019
Marketers/off-takers	**425,561**	438,450
End-user customers	**705,384**	488,165
	1,130,945	926,615

At 31 December 2020, the carrying amount of the Group's most significant customer (marketer/off-taker) is SR 194.8 million (2019: SR 178.8 million).

Expected credit loss assessment for customers as at 31 December 2020

The Group allocates each exposure to a credit risk grade based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from customers:

31 December 2020	**ECL impairment rate**	**Gross carrying amount**	**ECL impairment**
Current (not past due)	**-**	**967,367**	**-**
0-90 days past due	**-**	**60,355**	**-**
91-120 days past due	**-**	**3,012**	**-**
121-180 days past due	**10%**	**3,496**	**(360)**
181-360 days past due	**14%**	**4,759**	**(656)**
More than 360 days past due	**75%**	**91,956**	**(69,011)**
		1,130,945	**(70,027)**

31 December 2019	ECL impairment rate	Gross carrying amount	ECL impairment
Current (not past due)	-	772,052	-
0-90 days past due	1%	47,702	(453)
91-120 days past due	2%	7,467	(147)
121-180 days past due	4%	9,328	(368)
181-360 days past due	7%	7,297	(520)
More than 360 days past due	100%	82,769	(82,769)
		926,615	(84,257)

ECL impairment rates are based on actual credit loss experience over the past years. These rates are reflective of economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in note 15, except for derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Group may 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. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

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

As at 31 December 2020	**Carrying Value**	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Lease liabilities	**67,173**	-	**3,124**	**3,124**	**20,374**	**67,490**	**94,112**
Trade and other payables	**226,848**	-	**226,848**	-	-	-	**226,848**
Accrued expenses and other current liabilities	**927,095**	-	**927,095**	-	-	-	**927,095**
Loans and borrowings	**7,459,026**	-	**1,428,186**	**640,701**	**4,935,637**	**499,762**	**7,504,286**
	8,680,142	-	**2,585,253**	**643,825**	**4,956,011**	**567,252**	**8,752,341**

As at 31 December 2019	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	71,921	-	3,437	3,437	22,315	71,388	100,577
Trade and other payables	187,934	-	187,934	-	-	-	187,934
Accrued expenses and other current liabilities	645,454	-	645,454	-	-	-	645,454
Loans and borrowings	7,631,133	60,222	371,429	407,862	6,081,171	808,038	7,728,722
	8,536,442	60,222	1,208,254	411,299	6,103,486	879,426	8,662,687

Capital management

Capital includes equity paid up capital and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio and current ratio, the Group's policy is to keep the gearing ratio maximum 3:1 and current ratio minimum 1.4:1. The Group calculates the gearing ratio by total liabilities divided by total shareholder's equity including non-controlling interest.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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20. CONTRACTUAL LIABILITIES

Contractual liabilities include the following:

- Advance received of SR 50.6 million resulting from a supply agreement which will be adjusted over a 60 month period starting from 2017. As at 31 December 2020, outstanding advance was amounted to SR 15.2 million (2019: SR 25.3 million) including SR 10.1 million (2019: SR 10.1 million) which is classified as current.
- Advance received for usage of certain shared facilities by a joint venture which will be adjusted over the duration of the shared facilities usage contract. As at 31 December 2020, outstanding balance was amounted to SR 56.7 million (2019: SR 61.3 million) including SR 4.6 million (2019: SR 4.6 million) which is classified as current.
- An expected credit loss provision against a financial guarantee contract amounting to SR 92.4 million (2019: SR 92.4 million).

21. EMPLOYEES' BENEFITS

	Notes	2020	2019
Post-employment benefits	21.1	**619,839**	491,233
Thrift plan	21.2	**41,352**	31,120
		661,191	522,353

21.1. Post employment benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the consolidated income statement and consolidated statement of other comprehensive income and amounts recognized in the consolidated statement of financial position.

Net benefit expense recognised in consolidated income statement:

	2020	2019
Current service cost	**61,496**	31,714
Interest cost on benefit obligation	**12,203**	16,113
	73,699	47,827

Re-measurement: Actuarial (gains)/ losses recognised in consolidated statement of profit or loss and other comprehensive income:

	2020	2019
Loss due to change in financial assumptions	**29,102**	21,808
Loss due to change in demographic assumptions	**-**	9,421
Loss due to change in experience adjustments	**52,498**	26,850
Share of losses from joint venture and associates	**58**	808
	81,658	58,887

Movement in the present value of defined benefit obligation:

	2020	2019
As at 1 January	**491,233**	244,162
Effect of business combination	**-**	158,585
Current service cost	**61,496**	31,714
Interest cost on benefit obligation	**12,203**	16,113
Actuarial loss on the obligation	**81,600**	58,079
Benefits paid during the year	**(4,511)**	(17,420)
Gain on plan settlements	**(22,182)**	-
As at 31 December	**619,839**	491,233

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2020	2019
Discount rate	**3.1%**	3.6%
Future salary increases	**4.2%**	4.2%
Mortality rates	**A1949-52**	A1949-52
Rates of employee turnover	**6% per annum**	6% per annum

Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year A1949-52 mortality table has been used (2019: A1949-52 mortality table).

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21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits (continued)

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2020 is shown below:

Assumptions	Discount rate	
Sensitivity analysis	**0.5% Increase**	**0.5% Decrease**
Defined benefit obligation as at 2020	**588,320**	**654,184**
Defined benefit obligation as at 2019	466,073	517,714

	Future salary increase	
	0.5% Increase	**0.5% Decrease**
Defined benefit obligation as at 2020	**654,641**	**587,571**
Defined benefit obligation as at 2019	518,233	465,347

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The average duration of the defined benefit obligation at the end of the reporting period is 11 years (2019: 10 years).

21.2. Thrift Plan

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

22. DECOMMISSIONING LIABILITY

	2020	2019
Balance as at 1 January	**131,588**	94,288
Effect of business combination	-	23,521
Addition during the year	-	8,014
Charge for the year	**7,357**	5,765
Balance as at 31 December	**138,945**	131,588

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered interest swap contracts with commercial banks to manage the exposure of volatility in interest rates, for original notional amount of SR 734.4 million with no upfront premium. At 31 December 2020, these interest rate swap agreements had negative fair values of Saudi Riyal 6.9 million (2019: SR 10.6 million).

24. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	**222,597**	148,560
Due to related parties (note 35)	**4,251**	39,374
	226,848	187,934

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	2020	2019
Goods received invoices not received		**322,037**	305,423
Provision for loss of precious metals		**234,509**	27,731
Due to related parties	35	**87,619**	28,223
Distribution costs accruals		**66,430**	72,224
Donations		**23,740**	25,020
Finance costs accruals		**17,083**	62,830
Project related accruals		**15,866**	24,102
Employees related liabilities		**14,749**	25,970
Others		**145,062**	73,931
		927,095	645,454

26. ZAKAT AND INCOME TAX PAYABLE

	2020	2019
Zakat payable	**223,309**	148,560
Income tax payable	**(3,464)**	39,374
	219,845	187,934

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26. ZAKAT AND INCOME TAX PAYABLE (continued)

The principal elements of the Zakat base of the Group are as follows:

	2020	2019
Non-current assets	**18,796,155**	19,863,730
Non-current liabilities	**6,464,109**	7,722,237
Opening shareholders' equity	**13,342,181**	5,918,907
Profit before Zakat and income tax	**185,203**	389,997
Consumables spares	**399,644**	364,145
Dividend paid	**364,081**	678,333

Some of these amounts have been adjusted in arriving at the Zakat charge for the year. Zakat for the year is payable at 2.578% (2019: 2.578%) of higher of the approximate Zakat base and adjusted net income attributable to Saudi shareholders. Income tax is payable at 20% of taxable income.

The movement in the Zakat and income tax payable is as follows:

	Zakat	**Income Tax**	**Total**
Balance as at 1 January 2020	**193,926**	**28,135**	**222,061**
Current year charge	**77,792**	**13,580**	**91,372**
Prior year (over) provision	**(933)**	**(2,808)**	**(3,741)**
Utilization of prior year advance payment	**-**	**(31,243)**	**(31,243)**
Payments during the year	**(47,476)**	**(11,128)**	**(58,604)**
Balance as at 31 December 2020	**223,309**	**(3,464)**	**219,845**

	Zakat	Income Tax	Total
Balance as at 1 January 2019	77,273	18,379	95,652
Effect of business combination	19,046	-	19,046
Current year charge	109,878	20,059	129,937
Prior year over provision	32,501	4,038	36,539
Payments during the year	(44,772)	(14,341)	(59,113)
Balance as at 31 December 2019	193,926	28,135	222,061

The Zakat, income tax and deferred tax charge/(credit) for the year ended 31 December comprises of the following:

2020	**Zakat**	**Income Tax**	**Deferred tax**	**Total**
Zakat and income tax attributable to owners of the Company	**76,859**	**-**	**-**	**76,859**
Income tax attributable to non-controlling interest	**-**	**10,772**	**-**	**10,772**
Deferred tax (note 11)	**-**	**-**	**40,171**	**40,171**
	76,859	**10,772**	**40,171**	**127,802**

2019	Zakat	Income Tax	Deferred tax	Total
Company's share in Zakat and income taxes	142,381	147	-	142,528
Non controlling's share in income taxes	-	23,950	-	23,950
Deferred tax (note 11)	-	-	(21,189)	(21,189)
	142,381	24,097	(21,189)	145,289

During 2019, Ministry of Finance of Saudi Arabia issued new Zakat By-Laws which are effective for periods starting from 1 January 2019. The new By-Laws, amongst other changes, clarify the Zakat treatment of certain related party transactions, debt instruments from shareholders and liabilities that are expected to remain outstanding for more than a lunar year. The Group has computed its Zakat liability for the year ended 31 December 2019 and 2020 as per the new Regulation.

Outstanding assessments:

The Group is subject to Zakat and income tax in accordance with the General Authority of Zakat and Income Tax ("GAZT") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular year end. This liability is considered an estimate until the final assessment by GAZT has been completed until which the Group retains exposure to additional Zakat and tax liability. Wherever necessary, the Group has recorded estimated additional Zakat and income tax liability in respect of the following open assessments.

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26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

Sahara International Petrochemical Company (Sipchem)

Sipchem received Zakat assessments for the years 2009 to 2010 with Zakat liability of SR 81 million. The Zakat liability was reduced to SR 71 million post appeal at Preliminary Appeal Committee ("PAC"). Sipchem further escalated the appeal to Higher Appeal Committee ("HAC") for reconsideration. During 2019, the General Secretariat of Tax Committees ("GSTC") took over existing Appellate Committees. Sipchem is in process of registering the case with GSTC. Sipchem received Zakat assessments for the years 2011 to 2014 with Zakat liability of SR 71.3 million. Sipchem settled an amount of SR 0.9 million "under protest" and filed appeal on remaining amount with GAZT for reconsideration. During the year ended 31 Dec 2020, GAZT rejected Sipchem's appeal and the case has been escalated to the GSTC. GSTC review is awaited.

Further, during the year ended 31 Dec 2020, Sipchem received Zakat assessments for the years 2015 to 2018 with Zakat liability of SR 12.4 million. Sipchem settled an amount of SR 5.1 million "under protest" and filed appeal on remaining amount for the GAZT's reconsideration. GAZT review is awaited.

International Methanol Company (IMC)

IMC received tax and Zakat assessments for the years 2003 through 2010 with Zakat, tax and delay fine liability of SR 60.6 million. IMC settled SR 0.17 million "under protest" and filed appeal on remaining liability. Following the consideration of objection letter, GAZT reduced the liability to approximately SR 19.8 million (SR 16.5 million of Zakat and SR 3.3 million of tax). IMC settled Zakat liability of SR 2.3 million "under protest" and filed an appeal on remaining liability with PAC. During Q1 2019, GAZT raised 2nd revised assessment and the liability was reduced to approximately SR 5.2 million. Based on review, IMC accepted SR 0.69 million of additional Zakat. During the year ended 31 December 2020, the Company has escalated the appeal against revised assessment at GSTC. GSTC review is awaited.

International Acetyl Company (IAC)

IAC received an assessment for the year 2006 to 2008 with an additional tax, withholding tax and Zakat liability of SR 0.6 million, SR 2.8 million and SR 3.9 million respectively. IAC paid SR 1.1 million out of SR 7.3 million and has appealed against these assessments. IAC has received revised assessment from GAZT with a liability of SR 3.7 million for Zakat and withholding tax. IAC has filed an appeal against the revised assessment with GSTC. GSTC decision is awaited.

During the year ended 31 Dec 2020, IAC has received Zakat assessments for the years 2011 through 2014 with Zakat liability of approximately SR 1.4 million. IAC has accepted and settled an under-protest a total amount of SR 0.33 million. The Company filed objection with GAZT for reconsideration. GAZT review is awaited.

International Vinyl Acetate Company (IVC)

IVC has received tax and Zakat assessments for the years 2011 and 2012 with Zakat, withholding tax and delay fine liability of approximately SR 28.3 million. IVC settled "under protest" a total amount of SR 0.25 million. The Company filed objection with GAZT for reconsideration. Based on revised assessment issued by GAZT, the liability has been reduced to approximately SR 20.8 million. The Company has appealed against revised assessment at GSTC. GSTC decision is awaited. Further, during the year ended December 2020, IVC received tax and Zakat assessments for the years 2013 and 2014 with a tax, Zakat and delay fine liability of SR 3.6 million. The Company filed objection with GAZT for reconsideration. Based on revised assessment issued by GAZT, the liability has been reduced to approximately SR 0.95 million. The Company intends to appeal against revised assessment at GSTC.

IVC received tax and Zakat assessment for the year 2015 with Zakat liability of approximately SR 0.23 million. The Company settled "under protest" a total amount of SR 0.23 million. The Company intends to appeal against assessment for GAZT reconsideration with respect to reduction in tax losses. Further, IVC has received withholding tax and capital gains tax assessment for the year 2015 with a liability of approximately SR 7.6 million. The Company filed objection against assessment for GAZT's reconsideration. The GAZT review is awaited.

Gulf Advanced Cable Insulation Company (GACI)

GACI received assessment for the year 2016 with additional Zakat and tax liability of approximately SR 0.34 million. GACI accepted and settled SR 0.005 million and filed appeal against the remaining liability at PAC. In 2019, GACI has received revised assessment from GAZT with Zakat liability being reduced by SR 0.013 million. GACI has settled the liability "under protest". However, GACI has filed appeal at GSTC against GAZT's treatment of interest disallowance which had resulted in reduction in carry forward tax losses of SR 5.5 million with future tax impact of SR 1.1 million. During the year ended 31 Dec 2020, GSTC issued decision indirectly in favour of GACI. GACI has accepted the decision.

Further, during the year ended 31 December 2020, GACI has received Zakat assessment for the year 2018 with Zakat liability of approximately SR 0.045 million. The Company has settled Zakat liability under protest.

International Utility Company (IUC)

During Q3 2020, IUC received tax and Zakat assessment for the year 2018 with additional tax, Zakat and delay fine liability of SR 0.47million. IUC has under protest and settled the amount.

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26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

Saudi Specialized Products Company (SSPC)

SSPC received tax and Zakat assessment for the years 2014 and 2015 with Zakat and withholding tax liability of approximately SR 4.7 million. The Company settled liability under protest a total amount of SR 0.94 million. SSPC received revised assessment from GAZT with a liability of SR 2.5 million and the Company has filed appeal against the revised assessment with GSTC. GSTC review is awaited. During the year ended 31 Dec 2020, SSPC has received Zakat assessment for the years 2017 and 2018 with Zakat liability of approximately SR 1 million. The Company has filed appeal against the assessment with GAZT. GAZT review is awaited.

Sahara Petrochemicals Company (Sahara)

Sahara received an assessment from GAZT with an additional Zakat liability of SR 25.4 million relating to years from 2016 to 2018. Sahara accepted and settled an under-protest amount of SR 2.38 million and filed appeal on remaining amount to GAZT. During the year ended 31 December 2020, GAZT rejected Sahara's appeal. Sahara has now escalated the matter to GSTC. GSTC review is awaited.

Sahara VAT group received a final VAT assessment on 11 January 2021 for the years 2018 and 2019 with an additional tax liability of SR 9.7 million and delay fine liability of SR 14.9 million. The Company is in the process of filing an objection letter against the assessment with the GAZT.

27. REVENUE

27.1. Revenue streams

The Group generates revenue primarily from the sale of petrochemical products.

	2020	2019
Revenue from contract with customers	**5,323,023**	5,439,730
Total revenue	**5,323,023**	5,439,730

27.2. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Primary geographic markets	**2020**	2019
Foreign countries	**4,574,730**	4,442,738
Saudi Arabia	**748,293**	996,992
	5,323,023	5,439,730
Timing of revenue recognition		
Product transferred at a point in time	**5,276,087**	5,405,685
Product transferred over time	**46,936**	34,045
	5,323,023	5,439,730

27.3. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2020	2019
Receivables included in trade receivables	**1,053,388**	833,362
Contract assets included in trade receivables	**7,530**	8,996
Contractual liabilities	**(164,246)**	(178,992)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

28. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Freight costs	**331,372**	265,844
Transportation costs	**19,966**	21,891
Insurance costs	**12,712**	5,351
Custom charges	**1,414**	1,400
Others	**29,153**	20,355
	394,617	314,841

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29. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2020	2019
Employees' related costs	29.1	**306,795**	297,466
Depreciation and amortization	29.2	**58,217**	84,231
Legal and professional expenses		**14,348**	37,164
Research related expenses		**5,148**	8,158
Board of directors' expenses		**10,242**	7,515
Donations		**4,690**	6,439
Others		**19,254**	65,414
		418,694	506,387
SSD charged to Lyondell Basell		**-**	(22,265)
SSD charged to SAMAPCO		**-**	(69,988)
		418,694	414,134

29.1. Employee related costs

	2020	2019
Included in cost of sales	**227,949**	276,315
Included in general and administrative expenses	**306,795**	297,466
	534,744	573,781

29.2. Depreciation and amortization

	2020	2019
Included in cost of sales	**900,380**	822,513
Included in general and administrative expenses	**58,217**	84,231
	958,597	906,744

30. FINANCE COST

	2020	2019
Finance charges on loans	**264,005**	330,751
Interest cost on defined benefit obligation	**11,048**	16,113
Commission on LC's & LG's	**4,703**	6,055
Un-winding cost of decommissioning liability	**7,357**	5,765
Interest on lease liabilities	**2,412**	2,933
Others	**3,977**	8,274
	293,502	369,891

31. OTHER INCOME AND EXPENSES, NET

	Notes	2020	2019
Other income	31.1	**412,239**	310,053
Other expenses	31.2	**(285,745)**	(488,856)
		126,494	(178,803)

31.1. Other income

	Notes	2020	2019
Gain on precious metal	31.1.1	**321,515**	-
Income on loan settlement with bank	31.1.2	**-**	296,060
Reversal of old accruals		**20,261**	-
Gain on settlement of EOSB plan		**22,182**	-
Income on loan settlement with partner		**28,916**	-
Foreign exchange gain		**5,057**	-
Claim settled		**4,538**	2,690
Others		**9,770**	11,303
		412,239	310,053

31.1.1. The Income of SR 321.5 million (2019: Nil) mainly represents gain on sale of certain precious metals used as catalysts in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

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31. OTHER INCOME AND EXPENSES, NET (continued)

31.1. Other income (continued)

31.1.2. During 2019, the Company settled a loan with a commercial bank where the final payment was less than the outstanding amount of the loan liability resulting in an income.

31.2. Other expenses

	Notes	2020	2019
Impairment loss	6	**280,000**	453,940
Merger expense		**-**	23,433
Foreign exchange loss		**-**	6,428
Others		**5,745**	5,055
		285,745	488,856

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2020 and 2019 are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share because the Group does not have any dilutive instruments in issue.

	2020	2019
Profit for the year attributable to equity holders of the company	**175,863**	299,527
Weighted average number of shares outstanding during the year	**728,162**	580,556
Basic and diluted earnings per share	**0.24**	0.52

33. DIVIDENDS

On 15 December 2020, based on the recommendation of the Board of Directors, the Group announced to distribute cash dividends to its shareholders for the fiscal Year 2020 amounting to SR 366.7 million (i.e. SR 0.5 per share). On 6 January 2021, Sipchem distributed the dividend to the eligible shareholders.

On 23 December 2018, the Board of directors recommended to distribute an interim cash dividend for the second half of the year 2018 amounting to SR 238.3 million (i.e. SR 0.65 per share). On 15 January 2019, Sipchem distributed the dividend to shareholders. On September 25, 2019, the Board of directors recommended to distribute interim cash dividends for the first half of the year 2019 amounting to SR 440.0 million (i.e. SR 0.60 per share). The Company distributed these dividends during October 2019.

34. COMMITMENTS AND CONTINGENCIES

34.1. Commitments

	2020	2019
Capital commitments	**250,522**	144,395

34.2. Contingencies

	2020	2019
Letter of guarantees and credits	**640,260**	810,011

34.3. Contingent liabilities

The Group has no material contingent liabilities as at year ended 31 December 2020 except for those as disclosed in note 26 to the consolidated financial statements.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Name	Relationship
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
HELM - Arabia GmbH & Co. KG ("Helm - Arabia")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
SAMAPCO	Joint venture of a subsidiary
Lyondell Basell	Shareholder of joint operations of a subsidiary
SAAC	Associated Company
Saudi Ethylene and Polyethylene Company ("SEPC")	Associated Company

The Company and non-controlling shareholders granted advances to the companies of the group to support their operations and comply with the debt covenants. Long and short term advances carry finance charges at market rates and have specific maturity dates as per agreed repayment schedules.

The prices and terms of the above transactions were approved by the Board of Directors of the subsidiaries of the Group.

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35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

35.1. Significant transaction with related parties other than key management personnel

Transactions with related parties have been disclosed below:

Related party	Nature of transaction	2020	2019
Helm – Arabia	Sales made to Helm – Arabia	-	680,311
Hanwha	Sales made to Hanwha	448,366	542,909
JAMC	Sales made to JAMC	223,424	140,209
SAMAPCO	Shared service cost charged to SAMAPCO	98,670	69,988
	Interest income	-	21,691
	Transfer of HOP assets to SAMAPCO	121	326
	Allocation of HOP finance cost to SAMAPCO	3,356	3,348
	Cost and expenses charged to SAMAPCO	26,604	6,385
Lyondell Basell	Sales made to Lyondell Basell	826,322	618,947
	Shared services cost charged to Lyondell Basell	33,124	22,265
	Consultancy fee	-	2,808
	Cost and expenses charged by Lyondell Basell	261	110
	Transfer of HOP assets to Lyondell Basell	31	262
	Allocation of HOP finance cost to Lyondell Basell	1,033	920
SEPC	Purchase of ethylene by Al-Waha	38,018	34,553

35.2. The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables (Note - 15)

	2020	2019
Lyondell Basell and its associates	194,815	178,798
Hanwha Chemical Malaysia Sdn Bhd	100,037	84,890
HELM - Arabia GmbH & Co. KG (Helm -Arabia)	-	80,495
Japan Arabia Methanol Company Limited (JAMC)	44,446	10,010
	339,298	354,193

ii) Prepayments and other current assets

	2020	2019
SAMAPCO	34,465	24,867
Lyondell Basell	4,429	6,247
	38,894	31,114

iii) Trade and other payables

	2020	2019
SAMAPCO	4,251	4,251
Lyondell Basell and its associates	-	30,012
SEPC	-	5,111
	4,251	39,374

iv) Accrued expenses and other current liabilities

	2020	2019
SAMAPCO	35,611	21,398
Lyondell Basell	40,866	6,825
Hanwha	5,619	
Helm – Arabia	5,523	
	87,619	28,223

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35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

35.3. Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation also includes the proportionate benefits of key management personnel of Sahara after business combination. The key management personnel compensation is as follows:

	2020	2019
Short-term employee benefits	**12,313**	21,225
End of service benefits	**2,276**	6,352
Thrift plan	**672**	1,180
Share based payment transactions	**91**	91
Total compensation related to key management personnel	**15,352**	28,848

35.4. Transfer pricing

On 25 Jumada Al Awwal 1440H corresponding to 31 January 2019G, the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia (KSA) issued Transfer Pricing Bylaws (By-laws). These by-laws were enacted on 15 February 2019 as part of the tax law and became binding on tax payers for periods ending on or after 31 December 2018. The Group has filed necessary documentation to comply with relevant tax law within statutory time limit.

35.5. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has assessed and recorded an impairment related to amounts owed by a related party. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

36. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES

Components of consolidated statement of financial position

	2020	2019
Cash and cash equivalents - non-conventional	**1,544,350**	944,687
Current Murabaha (including fixed term deposits)	**952,521**	846,590
Current accounts (excluding fixed term deposits)	**2,496,871**	1,791,277
Long term investments - non-conventional	**260,622**	229,629
Short term investments - non-conventional	**318,115**	348,900
Borrowings - non-conventional	**7,053,371**	7,068,247
Borrowings - conventional	**352,329**	466,912

In March 2021, the Group refinanced the conventional borrowing and replaced it with a Shari'a compliant borrowing making all of its borrowings non-conventional.

37. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2020 and the date of authorization of consolidated financial statements by Board of Directors which may have an impact on these consolidated financial statements.

As explained in Note 1, the Company noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organization at a time close to first quarter ended 31 March 2020. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts. Material changes if any will be reflected as part of the operating results and cash flows of the future reporting periods.

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