Sahara International Petrochemical Company
(Formerly Saudi International Petrochemical Company)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2019

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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Independent auditor's 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 2019, the consolidated income statement, 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 2019, 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).

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.

Independent auditor's report

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

Key audit matter (continued)

Acquisition of Sahara Petrochemicals Company and impairment assessment of resultant Goodwill

See Note 3 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 7,839 million. The accounting for a business combination transaction is complex due to the significant judgements and estimates that are required to determine the value of consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed including identification and valuation of intangible assets. Further, Goodwill is recognized by management at a cash generating unit (CGU) level and is allocated to certain CGUs in a newly acquired business. Management carried out an impairment exercise in respect of Goodwill allocated to different CGUs of Sahara by determining the recoverable amount based on value in use discounted cash flow model, which utilized the most recent business plan prepared by Management. Due to the significant value and complexity of the acquisition and resultant goodwill arising on the business combination, we considered this as a key audit matter.	We performed the following procedures in relation to the business combination transaction: • Reviewed the implementation agreement entered into between Sahara International Petrochemical Company ("Sipchem") and Sahara for acquiring 100% of the share capital of Sahara by exchanging 0.8356 shares of Sipchem for each share of Sahara. • Traced the share price from Tadawul as at 16 May 2019, i.e. the date of acquisition and recalculated the total consideration for the acquisition. • Tested relevant processes and controls established by management to ensure appropriate recognition of business combination transaction; • Obtained and reviewed the purchase price allocation (PPA) model prepared by management to determine the fair value of assets acquired and liabilities assumed. • We tested certain key inputs used in the PPA model, including revenue growth rate, sales prices and costs. • Assessed the independence and competence of expert engaged by the management for providing forecasted selling prices of product that significantly impacts the fair valuation model. • Engaged our internal valuation specialists to review management's PPA process, including the methodology and assumptions used in developing the valuation model. • Considered and evaluated the completeness of management's assessment of identifiable intangible assets that meet the recognition criteria as part of the acquisition transaction. • We evaluated the adequacy of the disclosures included in the accompanying consolidated financial statements.

Independent auditor's report

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

Key audit matter (continued)	
Acquisition of Sahara Petrochemicals Company and impairment assessment of resultant Goodwill (Continued)	
See Note 3 to the consolidated financial statements.	
	How the matter was addressed in our audit
	We performed the following procedures with respect to the impairment assessment of the carrying value of Goodwill and investments in Joint ventures and associates: • Assessed the compliance of the methodology used by management to determine the recoverable amount based on the higher of fair value less costs to sell or value in use with the requirements of IAS 36 "Impairment of Assets". We also tested the arithmetical accuracy of the model used. • Assessed the management's identification of CGUs, the allocation of assets to each CGU and the methodology adopted by management in its impairment assessments of goodwill with reference to the requirements of IAS 36. • Tested relevant processes and controls established by management to ensure Goodwill and related investments are recorded at appropriate amounts; • 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 the discount rates applied, which included comparing the weighted average cost of capital with sector averages for the relevant markets in which the CGUs operate; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows 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, judgements and sensitivities.

Independent auditor's report

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

<table>
<tr><th colspan="2">Key audit matter (continued)</th></tr>
<tr><th colspan="2">Impairment testing of Non-financial assets</th></tr>
<tr><td colspan="2">See Note 6 to the consolidated financial statements.</td></tr>
<tr><td>The Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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. During the year ended 31 December 2019, management reassessed the impairment of these CGU's. This resulted in the impairment loss of SR 454 million recognized in the 2019 financial results.

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 from discounted forecast 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 and experts to estimate the forecasted 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.</td><td>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.

• Engaged our internal specialist 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 client and the industry;

• Engaged our internal valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted average cost of capital with sector averages for the relevant markets in which the CGUs operate;

• Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows 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.</td></tr>
</table>

Key audit matter (continued)	
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 assess 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 test of details on a sample of sales transaction and traced 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.

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Independent auditor's report

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

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, audit committee, 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.

Independent auditor's report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.
- 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 Saudi 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, 25 March 2020G
Corresponding to: 1 Shaban 1441H

كي بي ام جي الفوزان وشركاه
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س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	6	13,971,025	11,274,556
Right-of-use assets	7.1	67,608	-
Intangible assets	8	334,113	352,948
Investments in a joint venture and associates	9	3,559,679	-
Long term investments	10	229,629	-
Deferred tax assets	11	38,453	9,872
Long term prepaid employees' benefits	12	1,029,750	713,266
Goodwill	13	630,483	29,544
Other non-current assets		2,990	-
Total non-current assets		19,863,730	12,380,186
Current assets			
Inventories	14	957,467	806,927
Trade receivables	15	842,358	659,895
Prepayments and other current assets	16	187,540	197,562
Short term investments	19	348,900	321,833
Cash and cash equivalents	17	1,791,277	1,013,514
Total current assets		4,127,542	2,999,731
Total assets		23,991,272	15,379,917
Equity and Liabilities			
Equity attributable to the owners of the Company			
Share capital	18	7,333,333	3,666,667
Share premium	3	4,172,667	-
Treasury shares		(2,062)	(6,278)
Statutory reserve	18	1,235,350	1,205,397
Other reserves	18	(433)	41,036
Retained earnings		603,326	1,012,085
Total owners' equity		13,342,181	5,918,907
Non-controlling interests	5	995,819	1,206,079
Total equity		14,338,000	7,124,986
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	19	5,711,701	4,803,323
Sukuk	19	987,445	999,908
Long term advances from non-controlling shareholders	19	74,474	93,780
Contractual liabilities	20	164,246	25,301
Lease liabilities	7.2	68,594	-
Employees' benefits	21	522,353	269,449
Deferred tax liabilities	11	42,712	35,319
Decommissioning liability	22	131,588	94,288
Derivative financial instrument	23	10,568	-
Other non-current liabilities		8,556	8,556
Total non-current liabilities		7,722,237	6,329,924

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2019	31 December 2018
Current liabilities			
Current portion of long term bank loans and borrowings	19	**836,013**	1,150,191
Short term advances from non-controlling shareholders	19	**21,500**	-
Current portion of contractual liabilities	20	**14,746**	10,121
Current portion of lease liabilities	7.2	**3,327**	-
Trade and other payables	24	**187,934**	183,578
Accrued expenses and other current liabilities	25	**645,454**	485,465
Zakat and income tax payable	26	**222,061**	95,652
Total current liabilities		**1,931,035**	1,925,007
Total liabilities		**9,653,272**	8,254,931
Total liabilities and equity		**23,991,272**	15,379,917

The consolidated financial statements appearing on pages 8 to 77 were approved by the Board of Directors of the Company on 27 Rajab, 1441H (corresponding to 22 March 2020G) and have been signed on their behalf by:

Khalid Abdullah Al- Zamil	**Saleh Mohammed Bahamdan**	**Rushdi Khalid Al-Dulaijan**
Chairman of the Board	Chief Executive Officer	Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 14 to 77 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2019	31 December 2018
Revenue	27	**5,439,730**	5,035,801
Cost of sales		**(3,804,488)**	(3,401,023)
Gross profit		**1,635,242**	1,634,778
Selling and distribution expenses	28	**(314,841)**	(196,874)
General and administrative expenses	29	**(414,134)**	(342,127)
Operating profit		**906,267**	1,095,777
Share of profit from a joint venture and associates	9	**(27,183)**	-
Finance income		**59,607**	28,420
Finance cost	30	**(369,891)**	(262,714)
Other expenses and income, net	31	**(178,803)**	5,584
Profit before Zakat and income tax		**389,997**	867,067
Zakat and income tax expense	26	**(145,289)**	(115,654)
Profit for the year		**244,708**	751,413
Profit/(loss) attributable to:			
Equity holders of the Company		**299,527**	582,953
Non-controlling interests		**(54,819)**	168,460
Total profit for the year		**244,708**	751,413
Earnings per share:			
Basic and diluted earnings per share attributable to the equity holders of the Company presented in Saudi Riyals	32	**0.52**	1.59

Khalid Abdullah Al- Zamil
Chairman of the Board

Saleh Mohammed Bahamdan
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 14 to 77 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2019	31 December 2018
Profit for the year		**244,708**	751,413
Other comprehensive income			
Items that will be reclassified to income statement in subsequent periods:			
Exchange difference on translation of foreign operations		**634**	(1,299)
Changes in the fair value of derivative financial instruments designated as hedge		**(651)**	-
Changes in other comprehensive loss of a joint venture and associates		**(1,981)**	-
Net total other comprehensive income items that will be reclassified to income statement in subsequent periods		**(1,998)**	(1,299)
Items that will not be reclassified to income statement in subsequent periods:			
Re-measurement losses on defined benefit plan	21	**(58,079)**	(1,078)
Share of re-measurement losses on defined benefit plan from a joint venture and associates		**(808)**	-
Changes in the fair value of financial assets a fair value through other comprehensive income	10.2	**12,658**	-
Net total other comprehensive income items that will not be reclassified to income statement in subsequent periods		**(46,229)**	(1,078)
Total other comprehensive income for the year		**(48,227)**	(2,377)
Total comprehensive income for the year		**196,481**	749,036
Total comprehensive income attributable to:			
Equity holders of the Company		**255,481**	580,429
Non-controlling interests		**(59,000)**	168,607
Total comprehensive income for the year		**196,481**	749,036

Khalid Abdullah Al- Zamil	**Saleh Mohammed Bahamdan**	**Rushdi Khalid Al-Dulaijan**
Chairman of the Board	Chief Executive Officer	Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 14 to 77 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	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 2018	3,666,667	-	(7,832)	1,205,397	42,676	795,799	5,702,707	1,508,258	7,210,965
Profit for the year	-	-	-	-	-	582,953	582,953	168,460	751,413
Other comprehensive income	-	-	-	-	(2,524)	-	(2,524)	147	(2,377)
Total comprehensive income	-	-	-	-	(2,524)	582,953	580,429	168,607	749,036
Purchase of additional shares in subsidiary (note 1.2)	-	-	-	-	-	-	-	(262,401)	(262,401)
Advances from partners - discounting	-	-	-	-	-	-	-	11,779	11,779
Net change in other reserves	-	-	-	-	884	-	884	-	884
Repurchase of treasury shares	-	-	1,554	-	-	-	1,554	-	1,554
Dividends	-	-	-	-	-	(366,667)	(366,667)	(220,164)	(586,831)
As at 31 December 2018	3,666,667	-	(6,278)	1,205,397	41,036	1,012,085	5,918,907	1,206,079	7,124,986

	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 income	**-**	**-**	**-**	**-**	**(44,046)**	**-**	**(44,046)**	**(4,181)**	**(48,227)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(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

Saleh Mohammed Bahamdan
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 14 to 77 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2019	31 December 2018
Cash flow from operating activities			
Profit before Zakat and income tax for the year		**389,997**	867,067
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	**804,339**	754,915
Depreciation of right-of-use assets	7	**5,169**	-
Income on loan settlement with bank	31	**(296,060)**	-
Impairment loss	31	**453,940**	-
Amortization of intangible assets and deferred costs		**94,500**	72,693
Amortization of contractual liabilities		**(12,820)**	(10,121)
Share of loss from a joint venture and associates	9	**27,183**	-
Provision for employees' benefits		**40,335**	34,746
Loss on property, plant and equipment - written off		**3,753**	4,167
Inventories - written off	14	**5,481**	-
Provision for doubtful debts, net		**(6,439)**	(17,317)
Net foreign exchange difference		**937**	(1,552)
Finance income		**(59,607)**	(28,420)
Finance cost		**369,891**	262,714
		1,820,599	1,938,892
Changes in:			
Trade receivables		**121,797**	234,201
Inventories		**67,792**	(129,527)
Prepayments and other current assets		**92,857**	(117,007)
Accrued expenses, trade and other payables		**(277,972)**	(137,210)
Employee benefits paid		**(20,208)**	(16,301)
Proceeds under home ownership program		**51,369**	32,054
Zakat and income tax paid	26	**(59,113)**	(144,102)
Net cash generated from operating activities		**1,797,121**	1,661,000
Cash flow from investing activities			
Additions to property, plant and equipment		**(662,386)**	(858,890)
Additions to long term prepaid employees benefits		**(2,372)**	(18,002)
Additions to Intangibles	8	**(105)**	(187)
Movement in long and short term investments, net		**(7,939)**	(67,317)
Movement in other non current assets		**529**	-
Finance income received		**38,015**	30,923
Dividend received	9	**286,370**	-
Repayment of advance by SAMAPCO		**79,320**	-
Purchase of additional shares in subsidiaries		**-**	(262,500)
Net cash used in investing activities		**(268,568)**	(1,175,973)
Cash flow from financing activities			
Proceeds from long term loans and borrowings		**2,179,997**	900,000
Repayment of long term loans and borrowings		**(2,664,574)**	(1,231,741)
Net change in advances from non-controlling		**2,194**	(15,567)
Movement in treasury shares, net		**4,216**	1,554
Dividend paid to shareholders		**(678,333)**	(366,667)
Dividends paid to non-controlling shareholders		**(150,857)**	(220,163)
Interest paid		**(350,670)**	(261,936)
Payment of lease liabilities	7	**(7,308)**	-
Net cash used in financing activities		**(1,665,335)**	(1,194,520)
Net change in cash and cash equivalents		**(136,782)**	(709,493)
Cash and cash equivalents at 1 January		**1,013,514**	1,722,754
Cash and cash equivalents due to acquisition of Sahara		**914,848**	-
Effect of exchange rate fluctuations		**(303)**	253
Cash and cash equivalents at 31 December		**1,791,277**	1,013,514

Khalid Abdullah Al- Zamil	**Saleh Mohammed Bahamdan**	**Rushdi Khalid Al-Dulaijan**
Chairman of the Board	Chief Executive Officer	Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 14 to 77 form an integral part of these consolidated financial statements.

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.

For more details, refer to Business Combination Note 3 to the consolidated financial statements.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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**	
	2019	2018
Sahara Petrochemicals Company ("Sahara")	**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") (1.2)	**97%**	97%
Sipchem Marketing Company ("SMC')	**100%**	100%
Sahara Marketing Company ("SaMC')	**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) (1.3)	**50%**	50%
Saudi Specialized products Company (SSPC)	**75%**	75%
Sipchem Asia PTE Ltd. (1.4)	**100%**	100%
Sipchem Advanced Technology (1.5)	**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.

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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION (continued)

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, is 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 has started commercial operations from 1 November 2016. The EVA film plant has commenced commercial operations on 1 January 2019.

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. Sipchem has signed a sale and purchase agreement (“Agreement”) on 24 July 2018 with National Power Company (“NPC”) to purchase its entire shareholding representing 25% of the share capital in IGC at mutually agreed commercial terms. Sipchem has paid a consideration of SR 262.5 million for such purchase. All the legal formalities in respect of the purchase transaction has been completed and on 17 October 2018, Sipchem’s ownership has been increased from 72% to 97%.

1.3. The Group has only a 50% share 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.

1.4. 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.

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

1.6. 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.

1.7. 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	
	2019	2018
Tasnee and Sahara Olefins Company ("TSOC")	**32.55%**	-
Saudi Acrylic Acid Company ("SAAC")	**43.16%**	-
Khair Inorganic Chemicals Industries Company (“Inochem”)	**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 2.4.

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 2019. 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:

- 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.

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

2.2. Basis of consolidation (continued)

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. Changes in significant accounting policies

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 (if any). Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Group assess whether a contract is or contains a lease based on the new definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group leases many assets including land and vehicles. Plants and buildings are constructed over the land. Vehicles are used for administrative purposes. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.3. Changes in significant accounting policies (continued)
B. As a lessee (continued)
i. Leases classified as operating leases under IAS 17

Previously, the Group classified all leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); and
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

ii. Leases classified as finance leases under IAS 17

The Group has no leases that were classified as finance leases under IAS 17.

C. As a lessor

The Group has no material lease contract as a lessor.

D. Impact on financial statements
i. Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. There is no significant impact on the retained earnings on transition to IFRS 16. The impact on transition is summarised below:

	1 January 2019
Right-of-use assets - Land and vehicles (note 7)	65.7 million
Lease liabilities	65.7 million

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.8%.

	1 January 2019
Operating lease commitments at 31 December 2018	96.5 million
Discounted using the incremental borrowing rate at 1 January 2019	66.5 million
Finance lease liabilities recognised as at 31 December 2018	-
• Recognition exemption for leases of low-value assets	(0.8) million
• Recognition exemption for leases with less than 12 months of lease term at transition	-
Lease liabilities recognised at 1 January 2019	**65.7 million**

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

2.4. Summary of significant accounting policies

The Group has consistently applied the following policies to all periods presented in these consolidated financial statements except for accounting policies for leases which are applied from 2019 and onwards.

a) <u>Business combination</u>

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.

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.

<u>Subsidiaries</u>

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.

<u>Joint Operations</u>

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.

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

2.4. Summary of significant accounting policies (continued)

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.

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

2.4. Summary of 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 Audit Committee. 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.

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

2.4. Summary of significant accounting policies (continued)

d) Fair value measurement (continued)

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.

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.

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

2.4. Summary of significant accounting policies (continued)

e) Revenue from contract with customers (continued)

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 increases 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.

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.

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.

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

2.4. Summary of significant accounting policies (continued)

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.

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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

2.4. Summary of significant accounting policies (continued)

i) Intangible assets (continued)

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

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

Policy applicable from 1 January 2019

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.

This policy is applied to contracts entered into, on or after 1 January 2019.

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.

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

2.4. 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.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

2.4. Summary of significant accounting policies (continued)

j) Leases (continued)

Policy applicable before 1 January 2019 (continued)

i. As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

The Group has no 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.

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.

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

2.4. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

ii) Financial assets (continued)

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Summary of significant accounting policies (continued)
l) Financial instruments (continued)
v) 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 2.4. 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.

vi) 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 2.4. l) (ix) for financial liabilities designated as hedging instruments.

vii) 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 or 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.

viii) 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Summary of significant accounting policies (continued)
l) Financial instruments (continued)
ix) *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.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Summary of significant accounting policies (continued)
m) Impairment (continued)

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.

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.

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

2.4. Summary of significant accounting policies (continued)

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

General

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.

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

2.4. 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

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

2.4. Summary of significant accounting policies (continued)

t) Employees' end of service benefits (continued)

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 or income

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.

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) 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.

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

2.4. Summary of significant accounting policies (continued)

x) 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.

y) 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.

z) 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.

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 with having maturity of more than three months but less than a year from date of placement.

2.5. 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.

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.

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

2.5. Significant accounting estimates and assumptions (continued)

i. Employees' end of service benefits (continued)

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 (2018: WHO 15 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.

iv. Useful lives of Intangible assets

Management reviews the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Company changes the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Company changes the amortization method to reflect the changed pattern.

v. 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.

vi. 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.

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

2.5. Significant accounting estimates and assumptions (continued)

vii. 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.

viii. 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.

2.6. Accounting standards issued but not yet effective

The following amended standards and interpretations are effective for annual periods beginning after 1 January 2019 and are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRIC 23 - Uncertainty over Tax Treatments;
- Prepayment Features with Negative Compensation - (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures - (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement - (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015-2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

The following amended standards and interpretations are effective for annual periods beginning after 1 January 2020. Earlier application of these standards are permitted, However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. These standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

IFRS 17 Insurance Contracts - effective for annual periods beginning after 1 January 2021. Earlier application is permitted. However, the Group has not early adopted the standard in preparing these consolidated financial statements. This standard is not expected to have any impact on the Group's consolidated financial statements.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

3. BUSINESS COMBINATION

As disclosed in Note 1 to these consolidated financial statements, on 11 Ramadan 1440H corresponding to 16 May 2019, Sipchem acquired 100% shares and voting interests in Sahara Petrochemicals Company ("Sahara") and obtained control of Sahara. Sahara has investments in various industrial projects with manufacturing located in Saudi Arabia and sales of petrochemical products across Middle East, Europe, Asia, Australia and America. Taking control of Sahara will enable the Group to increase its overall market share and also experience reduction in costs through economies of scale.

A. Consideration transferred

The following table summarises the business combination date fair value of consideration transferred:

	Amount
Shares (366,666,666 shares @ SR 21.38)	**7,839,333**

The fair value of the ordinary shares issued was based on the listed share price of the Company at 16 May 2019 of SR 21.38 per share.

B. Identifiable assets acquired and liabilities assumed

The following table summarizes the allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed on the business combination date:

	Amount
Property, plant and equipment	3,295,920
Right-of-use assets	7,081
Intangible assets	31,627
Investments in a joint venture and associates	3,933,650
Long-term investments	233,522
Long term prepaid employees benefits	401,595
Other non-current assets	3,519
Inventories	223,813
Trade receivables	297,821
Prepayments and other current assets	82,933
Cash and cash equivalents	914,848
Borrowings	(1,396,417)
Lease liabilities	(10,600)
Contractual liabilities	(156,390)
Employees' benefits	(158,585)
Decommissioning liability	(23,521)
Derivative financial instruments	(9,917)
Trade and other payables	(87,782)
Accrued expenses and other current liabilities	(325,677)
Zakat payable	(19,046)
Net identifiable assets acquired	**7,238,394**

In determining the fair value, a combination of the income, cost and market approaches were used depending on the asset or liability being fair valued, primarily using Level 3 inputs. The estimation of fair value requires significant judgment related to future net cash flows (including net sales, cost of products sold, selling and marketing costs), discount rates reflecting the risk inherent in each cash flow stream, competitive trends, market comparisons and other factors. Inputs were generally determined by taking into account historical data, supplemented by current and anticipated market conditions, and growth rates. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

3. BUSINESS COMBINATION (continued)
B. Identifiable assets acquired and liabilities assumed (continued)

Assets acquired	Valuation technique and fair value of material components
Property, plant and equipment	Fair value of property, plant and equipment primarily relates to plant and machinery and is determined through discounted cash flow model (DCF) which uses management approved projected cash flows at a cash generating unit (CGU) level for a nine years' period. The cash flows beyond the nine years' period are extrapolated using an estimated terminal growth rate. After making adjustments for the other assets and liabilities that comprise the CGU, fair value of property, plant and equipment is determined.
Investments in a JV and associates	Fair value of Investments in JV and associates is determined using a combination of income and market approaches. Discounted cash flow model (DCF) is primarily used, supplemented by fair values calculated using market multiples for a peer group for each investment. DCF model uses management approved projected cash flows at each affiliate's level for a nine years' period. The cash flows beyond the nine years' period are extrapolated using an estimated terminal growth rate. After making adjustments for cash and net debt acquired, the fair value of Investment in JV and associates is determined. The break-down of fair value of investment in JV and associates is as follows:

	Amount
TSOC	3,359,754
SAMAPCO	331,853
Inochem	242,043
SAAC	-
TOTAL	**3,933,650**

SAAC is acquired at Nil fair value.

Borrowings	Fair value of borrowings is determined by discounting the future cash payments using market-prevalent interest rates.
Current assets and current liabilities	Due to the short maturity of these assets and liabilities, their fair values closely approximate their carrying values; therefore, their fair values are deemed to be their respective carrying values. The gross contractual amount for receivables is SR 298.2 million of which SR 0.4 million is expected to be uncollectible.

Following are the significant assumptions used in determining fair values of assets and liabilities:

Significant assumption	Approach used to determining values
Netback price forecasts	The netback price forecasts are obtained from an established third-party data provider and reflect competitive trends and anticipated market conditions for products.
Long-term growth rate	The growth rate used in the DCF model is based on, and does not exceed, the long term average growth rate for the relevant CGU or affiliate.
Weighted average cost of capital	The discount rate used is weighted average cost of capital and reflects specific risks relevant to the CGU or affiliate.

C. Goodwill

	Amount
Consideration transferred	7,839,333
Fair value of identifiable net assets (Refer note - 3 B)	(7,238,394)
Goodwill	**600,939**

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

3. BUSINESS COMBINATION (continued)

C. Goodwill (continued)

The business combination has resulted in SR 600.9 million of goodwill. Goodwill represents the excess of consideration over the net fair value of the acquired assets and liabilities. The goodwill recognized in this transaction largely consists of the acquired workforce, expected synergies resulting from the business combination and strategic investments in Petrochemical plants held by Sahara. Synergies will result from building on the competitive advantages and complimentary capabilities of Sahara and Sipchem to provide benefits commercially, operationally and functionally and from driving efficiency and productivity of the closely situated industrial asset portfolios of each of Sahara and Sipchem in Jubail.

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

D. Business combination costs

Transaction costs in connection with the business combination with Sahara amounted to SR 23.4 million for the year ended 31 December 2019. These are included in other expenses in income statement and in operating cash flows in the statement of cash flows. These costs primarily comprise of banker fees, legal fees and consultancy fees.

E. Pro forma information

Although the business combination was legally completed on 16 May 2019, for the purpose of consolidation, Sahara financials were combined with effect from 1 June 2019. Management considers that the impact of the transactions from 16 May 2019 to 31 May 2019 is not material to the consolidated financial statements. Sahara contributed revenues of SR 911.5 million and net profit of SR 120.4 million to the Group for the period from June to December 2019 (i.e. 7 months). If the acquisition had occurred on 1 January 2019, management estimates that Sahara would have contributed revenues of SR 1,512.4 million and net profit of SR 307.9 million to the Group. Therefore, the total consolidated revenue of the Group would have been SR 6,040.6 million and consolidated net profit attributable to shareholders of Sipchem would have been SR 487.0 million.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019. Therefore, these amounts have been calculated using the results of Sahara and of its affiliates and adjusted for the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2019.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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 2019	**Basic Chemicals**	**Intermediate Chemicals**	**Polymers**	**Marketing**	**Corporate and Others**	**Consolidation 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**

Year ended 31 December 2018	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Consolidation elimination	Total
Revenue							
External customers	1,349,603	1,729,148	1,299,022	641,012	17,016	-	5,035,801
Inter-segment	439,236	1,085,380	55,747	2,326,638	127,730	(4,034,731)	-
Total revenue	1,788,839	2,814,528	1,354,769	2,967,650	144,746	(4,034,731)	5,035,801
Gross profit/(loss)	780,614	318,719	435,225	105,011	(3,561)	(1,230)	1,634,778
Operating profit/(loss)	557,539	160,459	342,562	57,429	(40,073)	17,861	1,095,777
Profit / (loss) before Zakat and tax	518,357	61,175	301,572	59,806	(67,476)	(6,367)	867,067
Total assets	4,481,780	5,897,396	3,885,658	824,428	9,689,411	(9,398,756)	15,379,917
Total liabilities	2,007,214	2,535,879	2,158,752	467,362	3,583,998	(2,498,274)	8,254,931
Capital expenditure	585,556	230,923	30,937	3,517	25,959	-	876,892

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

4. SEGMENT INFORMATION (continued)

Revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 December 2019	**704,452**	**4,735,278**	**5,439,730**
31 December 2018	251,414	4,784,387	5,035,801

Revenue by geography and segment

	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**

	For the year ended 31 December 2018					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
Revenue:						
Foreign countries	1,251,018	1,729,148	1,194,520	609,701	-	4,784,387
Saudi Arabia	98,585	-	104,502	31,311	17,016	251,414
Total revenue	1,349,603	1,729,148	1,299,022	641,012	17,016	5,035,801

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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**	**2019**	2018
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%	25.00%

The summarized information of these subsidiaries is provided below:

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**
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 financial positions as at 31 December 2018

	IMC	IDC	IAC	IVC	IGC	IPC	GACI	SSPC	Total
Current assets	599,856	132,321	330,834	511,339	129,086	440,665	53,353	38,944	2,236,398
Non-current assets	1,574,528	903,499	2,622,196	1,793,558	1,142,492	2,637,560	192,173	355,808	11,221,814
Current liabilities	(173,839)	(631,839)	(530,891)	(454,969)	(81,695)	(359,919)	(39,499)	(15,348)	(2,287,999)
Non-current liabilities	(407,444)	(589,684)	(777,025)	(422,778)	(122,715)	(1,191,453)	(144,061)	(251,726)	(3,906,886)
Equity	1,593,101	(185,703)	1,645,114	1,427,150	1,067,168	1,526,853	61,966	127,678	7,263,327
Attributable to:									
Equity holder of parent	1,079,073	(97,835)	1,465,871	1,278,920	1,031,712	1,174,874	33,356	91,277	6,057,248
Non-controlling interests	514,028	(87,868)	179,243	148,230	35,456	351,979	28,610	36,401	1,206,079

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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 loss	**(1,130)**	**(1,496)**	**(9)**	**(292)**	**(83)**	**(623)**	**(245)**	**(304)**	**(3,696)**
Total comprehensive income/(loss)	**286,156**	**(427,381)**	**(386)**	**(123,079)**	**74,159**	**255,620**	**(18,523)**	**(61,763)**	**(14,711)**
Attributable to:									
Equity holder of parent	**193,841**	**(227,268)**	**(17,567)**	**(115,229)**	**71,981**	**194,030**	**(12,792)**	**(43,193)**	**43,803**
Non-controlling interests	**92,315**	**(200,113)**	**17,181**	**(7,850)**	**2,178**	**61,590**	**(5,731)**	**(18,570)**	**(59,000)**

Summarized statements of comprehensive income for the year ended 31 December 2018

	IMC	IDC	IAC	IVC	IGC	IPC	GACI	SSPC	Total
Revenue	1,196,031	279,146	819,496	1,359,507	313,662	1,104,226	104,503	17,016	5,193,587
Profit/(loss) before Zakat and tax	577,752	(154,240)	60,072	82,971	94,847	261,408	(10,809)	(28,519)	883,482
Profit/(loss) after Zakat and tax	535,526	(152,227)	59,829	77,121	90,206	225,728	(17,793)	(26,248)	792,142
Other comprehensive income/(loss)	768	23	(1,469)	(76)	778	847	103	-	974
Total comprehensive income/(loss)	536,294	(152,204)	58,360	77,045	90,984	226,575	(17,690)	(26,248)	793,116
Attributable to:									
Equity holder of parent	363,038	(83,564)	48,348	66,854	66,540	192,565	(5,860)	(23,412)	624,509
Non-controlling interests	173,256	(68,640)	10,012	10,191	24,444	34,010	(11,830)	(2,836)	168,607

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

6. PROPERTY, PLANT AND EQUIPMENT

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 (note 3)	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)
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 (note 3)	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
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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

6. PROPERTY, PLANT AND EQUIPMENT (continued)

2018	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 2018	580,168	13,837,314	526,496	250,392	1,016,853	16,211,223
Additions	7	4,637	202,965	6,192	645,088	858,889
Transfers**	56,653	493,466	82,340	3,522	(645,025)	(9,044)
Transfers to intangibles (note 8)	-	-	-	(1,839)	(22,092)	(23,931)
Write off	-	(7,131)	(16,488)	-	-	(23,619)
At 31 December 2018	636,828	14,328,286	795,313	258,267	994,824	17,013,518
Accumulated depreciation:						
At 1 January 2018	69,055	4,402,757	431,512	100,175	-	5,003,499
Depreciation charge for the year	17,030	587,468	132,401	18,016	-	754,915
Write off	-	(2,964)	(16,488)	-	-	(19,452)
At 31 December 2018	86,085	4,987,261	547,425	118,191	-	5,738,962
Carrying amount at 31 December 2018	550,743	9,341,025	247,888	140,076	994,824	11,274,556

**Transfers include an amount of SR 423 million related to PBT plant which has commenced the commercial operations on 1 July 2018 after successful commissioning, testing and completion of acceptance formalities and SR 190.1 million related to turnaround of IMC and IDC plants during 2018. The balance amount of SR 9.0 million mainly relates to transfer of spares parts and consumables from property, plant and equipment.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1. Capital Work In Progress

The Group's capital work-in-progress as at 31 December 2019 is SR 530 million (2018: SR 994.8 million) and comprises mainly of construction costs related to CO2 plant, Turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

During 2019, SR 8.9 million (2018: SR 6.3 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 8,013.9 million (2018: SR 8,222.5 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

During the current year ended 31 December 2019, management carried out a detailed impairment testing exercise to assess the recoverable amounts of two of its CGUs namely International Diol Company ("IDC'') plants and Polybutylene Terephthalate ("PBT'') plants which have been loss making given a sustained decrease in market prices for Butanediol, Tetrahydrofuran and Polybutylene Terephthalate.

Recoverable amounts were estimated based on value-in-use calculations which used cash flow projections from financial budgets and five-year forecasts. As a result of the exercise, the Group determined that the recoverable amounts of IDC and PBT CGUs of SR 758 million are less than their carrying amounts of SR 1,164 million. Therefore, an impairment loss of SR 256 million in IDC and SR 150 million in PBT was recognized in the 2019 financial results. This is in addition to the impairment loss of SR 400 million in IDC and SR 300 million in PBT previously recognized in the 2016 financial results.

The key assumptions used in the estimation of value in use were as follows

	2019	2018
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 2024 (2018: 2% from 2023) 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 and PBT CGUs, the recoverable amount was equal to the carrying amount. Therefore, any movement in the key assumptions would cause a change in impairment loss.

TMF business unit

In December 2019, the SSPC (75%-owned subsidiary) entered into a binding agreement to sell its TMF business unit to SAT (100%-owned subsidiary) for a consideration of SR 90.75 million as a going concern. The consideration is deemed as the recoverable amount of the business unit. Accordingly, SSPC has recorded an impairment of SR 47.9 million during the year ended 31 December 2019.

Following the impairment loss recognized in TMF business unit, the recoverable amount was equal to the carrying amount.

6.4. Assets written off

Certain assets mainly related to IAC, IVC, IGC, PBT and Al Waha plant having a carrying amount of SR 3.8 million (2018: SR 4.2 million) were written off during the year.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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. Previously, all the leases were classified as operating leases under IAS 17. 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 2019	60,780	4,916	65,696
Depreciation charge for the year	(3,440)	(1,729)	(5,169)
Effect of business combination (note 3)	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	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	**2019**
Depreciation charge for the year	5,169
Interest on lease liabilities	2,933
Income from sub-leasing of right-of-use assets	(253)
	7,849

Operating leases under IAS 17	2018
Lease rentals	6,085

7.4. Amounts recognized in statement of cash flow

	2019
Payment of lease liabilities	7,308
	7,308

7.5. Leases as lessor

The Group has no material lease contract as a lessor.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

8. INTANGIBLE ASSETS

	Software	**Deferred costs**	**Rights**	**Customer contract**	**Total**
Costs:					
Balance as at 1 January 2019	**157,536**	**81,723**	**301,201**	**-**	**540,460**
Effect of business combination (note 3)	**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 (note 3)	**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**

	Software	Deferred costs	Rights	Customer contract	Total
Costs:					
Balance as at 1 January 2018	133,418	81,723	301,201	-	516,342
Additions	187	-	-	-	187
Transfers (note 6)	23,931	-	-	-	23,931
Balance as at 31 December 2018	157,536	81,723	301,201	-	540,460
Accumulated amortization:					
Balance as at 1 January 2018	73,136	50,606	6,355	-	130,097
Amortization	33,362	4,987	19,066	-	57,415
Balance as at 31 December 2018	106,498	55,593	25,421	-	187,512
Carrying amount at 31 December 2018	51,038	26,130	275,780	-	352,948

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 when the business combination, as set out in Note 3, was effected during the year. The asset is amortized over 30 years.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Notes	2019	2018
Investment in a joint venture	9.1	204,556	-
Investment in associates	9.2	3,355,123	-
		3,559,679	-

9.1. Investment in a joint venture (JV)

	Notes	2019	2018
Investment in a JV	9.1.1	204,556	-
Advances to a JV	9.1.2	-	-
		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.

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. They 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:

	2019	2018
Non-current assets	2,442,557	-
Current assets (excluding cash and cash equivalents)	247,327	-
Cash and cash equivalents	67,203	-
Total current assets	314,530	-
Non-current liabilities	(2,202,480)	-
Current financial liabilities (excluding trade payables and provisions)	(58,381)	-
Other current liabilities	(87,114)	-
Total current liabilities	(145,495)	-
Net assets	**409,112**	-

Reconciliation to carrying amount:

	2019	2018
Balance as at 1 January	-	-
Effect of business combination (note 3)	331,853	
Share of loss	(68,829)	-
Share of changes in other comprehensive loss	(838)	
Repayment of advances	(79,320)	-
Interest income on advances	21,690	
Balance as at 31 December	**204,556**	-

Summarized income statement of SAMAPCO:

	2019	2018
Revenue	538,766	-
Cost of sales	(471,494)	-
Depreciation and amortisation	(139,606)	-
Finance cost	(170,705)	-
Financial income	1,390	-
Zakat	(7,655)	-
Loss before zakat	(165,465)	-
Loss after zakat	(173,120)	-
Other comprehensive income	(1,676)	-
Total comprehensive income / (loss)	(174,796)	-

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.1.2. Advances to a JV

The Group provided an interest free long term advance to SAMAPCO amounting to SR 79.3 million. During the year, the advance was repaid by SAMAPCO.

9.2. Investment in associates

	Notes	2019	2018
Investment in associates:			
Tasnee and Sahara Olefins Company	9.2.1	3,155,341	-
Khair Inorganic Chemical Industries Company	9.2.2	199,782	-
		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.

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:

	2019	2018
Non-current assets	10,032,512	-
Current assets (excluding cash and cash equivalents)	35,446	-
Cash and cash equivalents	294,510	-
Total current assets	329,956	-
Non-current liabilities	(475,500)	-
Current financial liabilities (excluding trade payables and provisions)	(101,250)	-
Other current liabilities	(91,893)	-
Total current liabilities	(193,143)	-
Net assets	9,693,825	-

Reconciliation to carrying amount:

	2019	2018
Balance as at 1 January	-	-
Effect of business combination (note 3)	3,359,754	
Share of profit	83,938	-
Dividends	(286,370)	
Share of changes in other comprehensive loss	(1,981)	
Balance as at 31 December	**3,155,341**	-

Summarized income statement of TSOC:

	2019	2018
Share of profit in associated companies	363,359	-
Financial income	1,868	-
Zakat	(8,000)	-
Profit before zakat	265,872	-
Profit after zakat	257,872	-
Other comprehensive income	(6,087)	-
Total comprehensive income	251,785	-

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.2.2. Khair Inorganic Chemical Industries Company (Inochem)

The Group has a 30% interest in Inochem, a limited liability 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. They 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:

	2019	2018
Non-current assets	178,400	-
Current assets (excluding cash and cash equivalents)	77,102	-
Cash and cash equivalents	431,264	-
Total current assets	508,366	-
Non-current liabilities	(4,396)	-
Current financial liabilities (excluding trade payables and provisions)	-	-
Other current liabilities	(78,005)	-
Total current liabilities	(78,005)	-
Net assets	686,766	-

Reconciliation to carrying amount:

	2019	2018
Balance as at 1 January	-	-
Effect of business combination (note 3)	242,043	
Share of profit	(42,291)	-
Share of changes in other comprehensive income	30	
Balance as at 31 December	**199,782**	-

Summarized income statement of Inochem:

	2019	2018
Revenue	-	-
Cost of sales	-	-
General and administrative expenses	(148,953)	-
Depreciation and amortisation	(104)	-
Finance cost	-	-
Financial income	17,303	-
Zakat	(12,511)	-
Profit / (loss) before zakat	(131,650)	-
Profit / (loss) after zakat	(144,161)	-
Other comprehensive income	100	-
Total comprehensive income / (loss)	(144,061)	-

10. LONG-TERM INVESTMENTS

	Notes	**2019**	2018
At fair value through other comprehensive income ("FVOCI")	10.1	204,197	-
At amortized cost	10.3	25,432	-
		229,629	-

10.1. At FVOCI

	Notes	**2019**	2018
Listed securities			
Riyad REIT Fund		65,325	-
Unlisted securities			
Mutual fund units		123,238	-
Equity shares		15,634	-
		204,197	-

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

10. LONG-TERM INVESTMENTS (continued)

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

	FVOCI	**Amortized cost**	**Total**	2018
Balance as at January 1	-	-	-	-
Effect of business combination	166,550	66,972	233,522	-
Purchases	72,718	-	72,718	-
Sales	(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 December 31	**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.

10.3. 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;

	Date of maturity	**Number of certificates**		**Amount**	
		2019	2018	**2019**	2018
First Abu Dhabi Bank	March 2023	14,000		5,255	-
Bank Julius Baer	June 2021	14,000	-	5,177	-
Bank Al-Bilad	August 2026	50,000	-	5,000	-
Bank Al- Jazira	June 2026	50,000	-	5,000	-
Ma'aden Phosphate Company	February 2025	50,000	-	5,000	-
				25,432	-

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

	2019	2018
Balance as at 1 January	**9,872**	9,566
Credit for the year	**28,581**	306
Balance as at 31 December	**38,453**	9,872

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

	2019	2018
Balance as at 1 January	**35,319**	28,458
Charge for the year	**7,393**	6,861
Balance as at 31 December	**42,712**	35,319

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

12. LONG TERM PREPAID EMPLOYEES BENEFITS

	Employees' receivables	Deferred Costs	Total
Balance as at 1 January 2019	**522,583**	**190,683**	**713,266**
Effect of business combination (note 3)	**345,704**	**55,891**	**401,595**
Additions during the year	**-**	**2,372**	**2,372**
Amortization	**-**	**(36,114)**	**(36,114)**
Recoveries	**(51,369)**	**-**	**(51,369)**
Balance as at 31 December 2019	**816,918**	**212,832**	**1,029,750**
Balance as at 1 January 2018	574,266	168,330	742,596
Additions during the year	-	18,002	18,002
Transfers	(17,413)	17,413	-
Amortization	-	(13,062)	(13,062)
Recoveries	(32,054)	-	(32,054)
Provision for refund liability	(2,216)	-	(2,216)
Balance as at 31 December 2018	522,583	190,683	713,266

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.

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 2019, 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% (2018: 1%). 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% (2018: 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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

14. INVENTORIES

	Notes	**2019**	2018
Raw materials		**150,269**	171,523
Finished goods	14.1	**474,377**	403,785
Spare parts and consumables		**364,145**	257,462
Provision for slow moving stores and spares	14.2	**(31,324)**	(25,843)
		957,467	806,927

14.1. Finished goods includes the inventories amounting to SR 8.9 million (2018: SR 12.4 million) which are semi finished products as at 31 December 2019.

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

	2019	2018
Balance as at 1 January	**25,843**	25,160
Provision for the year	**5,481**	683
Balance as at 31 December	**31,324**	25,843

14.3. As at 31 December 2019, the Group wrote down its finished goods inventory by SR Nil (2018: SR 1.6 million) 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	**2019**	2018
Trade receivables		**926,615**	750,591
Less: Impairment loss	15.1	**(84,257)**	(90,696)
		842,358	659,895

15.1. Movement in impairment loss is as follows:

	2019	2018
Balance as at 1 January	**90,696**	108,013
Provision during the year, net	**1,256**	(17,317)
Write-off during the year	**(7,695)**	-
Balance as at 31 December	**84,257**	90,696

Trade receivables include an amount of SR 354.2 million (2018: SR 251.9 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 238.9 million (2018: SR 230.2 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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

16. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	2018
Advances, deposits and prepayments	**130,413**	167,578
Due from related parties (note 35)	**31,114**	-
VAT input tax receivable	**12,733**	21,685
Accrued investment income	**5,504**	5,602
Others	**7,776**	2,697
	187,540	197,562

17. CASH AND CASH EQUIVALENTS

	2019	2018
Cash in hand	**24**	110
Cash at bank	**846,566**	478,124
Short term deposits	**944,687**	535,280
	1,791,277	1,013,514

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 1.2% - 3.01% (2018: 0.8% - 3.01%).

18. SHARE CAPITAL AND RESERVES

	2019	2018
Authorized shares		
Ordinary shares @ SR 10 each		
Ordinary shares issued and fully paid		
As at 1 January	**366,667**	366,667
Issued during the year	**366,666**	-
As at 31 December	**733,333**	366,667

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 includes share based payment premium reserve, share based payment transactions reserve, reserve for result of sales / purchase of shares in subsidiaries, unrealized gain/(loss) on actuarial valuation and foreign currency translation reserve. 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.

Movement in other reserves during the year is as follows:

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 (gains)/losses 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)**

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

18. SHARE CAPITAL AND RESERVES (continued)
Other reserves (continued)

31 December 2018	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	-	-	12,949	(7,762)	35,222	2,260	7	42,676
Exchange difference on translation of foreign operations	-	-	-	(1,299)	-	-	-	(1,299)
Re-measurement (gains)/losses on defined benefit plan	-	-	-	-	-	-	(1,225)	(1,225)
Purchase of additional shares in subsidiaries	-	-	(98)	-	-	-	-	(98)
Net change in share premium accounts	-	-	-	-	623	359	-	982
	-	-	12,851	(9,061)	35,845	2,619	(1,218)	41,036

As at 31 December 2019, 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 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**

31 December 2018:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-16	429,207	3 years services from grant date	14.19	9.9	3 Years
1-May-17	166,234	3 years services from grant date	18.1	12.6	3 Years
1-Nov-17	230,806	3 years services from grant date	15.2	10.6	3 Years
1-May-18	36,958	3 years services from grant date	22.6	15.8	3 Years
1-Nov-18	89,099	3 years services from grant date	21.1	14.8	3 Years

The Group has, under share based payments arrangements, cash and cash equivalent of SR 9.9 million (2018: SR 1.5 million) and short-term investments of SR 33.6 million (2018: SR 34.8 million). The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted SR 1.9 million (2018: SR 1.3 million).

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS

19.1. Financial assets

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)	**44,394**	**-**	**-**	**44,394**
Cash and cash equivalent (note 17)	**1,791,277**	**-**	**-**	**1,791,277**
	3,018,739	**33,622**	**204,197**	**3,256,558**

31 December 2018				
Short term investment	287,001	34,832	-	321,833
Trade receivables (note 15)	659,895	-	-	659,895
Prepayments and other current assets (note 16)	8,299	-	-	8,299
Cash and cash equivalent (note 17)	1,013,514	-	-	1,013,514
	1,968,709	34,832	-	2,003,541

19.2. Financial liabilities

Financial liabilities measured at amortized:

a. Other financial liabilities

	2019	2018
Lease liabilities (note 7)	**71,921**	-
Trade and other payables (note 24)	**187,934**	183,578
Accrued expenses and other current liabilities (note 25)	**645,454**	485,465
Total other financial liabilities measured at amortized cost	**905,309**	669,043

b. Loans and borrowings

	2019	2018
Current loans and borrowings		
Shari'a compliant loans	**465,708**	581,535
Saudi Industrial Development Fund ("SIDF")	**255,722**	379,500
Public Investment Fund loans ("PIF")	**114,583**	189,156
	836,013	1,150,191
Other current loans		
Advances from non-controlling shareholders	**21,500**	-
Total current loans and borrowings	**857,513**	1,150,191
Non-current loans and borrowings		
Shari'a compliant loans	**5,066,707**	3,741,303
Saudi Industrial Development Fund ("SIDF")	**292,665**	602,408
Public Investment Fund loans ("PIF")	**352,329**	459,612
	5,711,701	4,803,323
Other non-current loans & liabilities		
Advances from non-controlling shareholders	**74,474**	93,780
Islamic Murabaha bonds (SUKUK)	**987,445**	999,908
Total non-current loans and borrowings	**6,773,620**	5,897,011
Total loans and borrowings	**7,631,133**	7,047,202
Total financial liabilities measured at amortized cost	**8,536,442**	7,716,245

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)
19.2. Financial Liabilities (continued)
b. Loans and borrowings (continued)

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

	2019	2018
2019	**-**	1,150,191
2020	**857,513**	1,332,790
2021	**2,699,288**	2,245,011
2022	**1,285,801**	820,072
2023	**1,107,122**	670,110
2024	**903,923**	720,744
2025 and above	**777,486**	108,284
	7,631,133	7,047,202

Financial liabilities measured at fair value

	2019	2018
Derivative financial instrument	**10,568**	-
	10,568	-

Secured loan - Saudi Industrial Development Fund
The Saudi Industrial Development Fund (“SIDF”) granted loans to IPC, SCC, SSPC 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.

As at 31 December 2019, SSPC is in covenant breach of maintaining leverage ratio for SIDF loan. Accordingly, entire SIDF outstanding liability related to SSPC has been classified as current liability.

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 loans to IAC, IVC and 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.

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 shareholder agreements. As per the shareholder agreements, long term shareholders’ advances shall be repaid after the repayment of external indebtedness and funding of the reserve accounts. As of 31 December 2019, the shareholders of the subsidiaries of the Company had granted long term advances of SR 74.5 million (2018: SR 93.8 million) and short term advances of SR 21.5 million (2018: Nil). 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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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**	**Level 3**
	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**	**-**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	As at 31 December 2018 (Audited)				
Short term investments					
Equity securities	34,832	34,832	34,832	-	-
Total	34,832	34,832	34,832	-	-

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 2019 is SR 315.3 million (2018: SR 287.0 million). These investments are classified as short term investments. Refer note 10 for long term investments carried at amortized cost.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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.

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 long-term 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 2019, fixed amount of interest on outstanding long term loan is approximately around 24% (2018 : 20%) 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 2019		
Impact in SR in million due to change in base point	**+50 bps**	**37.68**
Impact in SR in million due to change in base point	**-50 bps**	**(37.68)**
31 December 2018		
Impact in SR in million due to change in base point	+50 bps	(33.55)
Impact in SR in million due to change in base point	-50 bps	33.55

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

Interest rate sensitivity (continued)

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 2019, the Group had receivables of € 19.4 million (2018: € 35.7 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.

	Change in Euro rate	Effect on profit before tax	Effect on equity
		SR in million	SR in million
31 December 2019			
Euro to Saudi Riyals	**+0.5**	**12.92**	**11.90**
Euro to Saudi Riyals	**-0.5**	**(12.92)**	**(11.90)**
31 December 2018			
Euro to Saudi Riyals	+0.5	17.96	17.96
Euro to Saudi Riyals	-0.5	(17.96)	(17.96)

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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

Cash flow hedges

a) At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency rates:

	Contractual maturity			
	Less than 6 months	**6 to 12 months**	**More than 1 year**	**Carrying amount in SR**
31 December 2019				
Forward exchange contracts - Euro	**17.1**	**-**	**-**	**71.4**
31 December 2018				
Forward exchange contracts - Euro	23.9	-	-	102.7

	Contractual maturity			
	Less than 6 months	**6 to 12 months**	**More than 1 year**	**Carrying amount**
31 December 2019				
Interest rate swaps – SR	**-**	**-**	**10.6**	**10.6**
31 December 2018				
Interest rate swaps - SR	-	-	-	-

b) The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness	**Cash flow hedge reserve**
31 December 2019	**SR in million**	
Sales and receivables	**0.6**	**-**
31 December 2018		
Sales and receivables	0.8	-

	Change in value used for calculating hedge ineffectiveness	**Cash flow hedge reserve**
31 December 2019	**SR in million**	
Derivative financial instrument	**3.2**	**2.8**
31 December 2018		
Derivative financial instrument	-	-

Ineffective portion of the hedge is recognized in finance cost in income statement.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

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 disclosed in note 19.

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

	2019	2018
Impairment loss recognized/(reversed) on trade receivables and contract assets arising from contracts with customers	**1,256**	(17,317)
	1,256	(17,317)

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 2019, the Group had 15 customers (2018: 15 customers) that owed more than SR 490 million (2018: SR 416 million) altogether and accounted for approximately 53% (2018: 63%) 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 2019, the exposure to credit risk for trade receivables and contract assets by geographic region is as follows:

	2019	2018
Foreign countries	**726,362**	573,092
Saudi Arabia	**115,996**	86,803
	842,358	659,895

At 31 December 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty is as follows:

	2019	2018
Marketers/off takers	**354,193**	251,852
End-user customers	**488,165**	408,043
	842,358	659,895

At 31 December 2019, the carrying amount of the Group's most significant customer (Marketer/off taker) is SR178.8 million (2018: SR 132.8 million).

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for customers as at 31 December 2019

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from customers:

31 December 2019	**ECL impairment rate**	**Gross carrying amount**	**ECL impairment**	**Provisional price adjustment**	**Total**
Current (not past due)	**-**	**772,052**	**-**	**-**	**-**
0-90 days past due	**1%**	**47,702**	**(453)**	**-**	**(453)**
91-120 days past due	**2%**	**7,467**	**(147)**	**-**	**(147)**
121-180 days past due	**4%**	**9,328**	**(368)**	**-**	**(368)**
181-360 days past due	**7%**	**7,297**	**(520)**	**-**	**(520)**
More than 360 days past due	**100%**	**82,769**	**(2,691)**	**(80,078)**	**(82,769)**
		926,615	**(4,179)**	**(80,078)**	**(84,257)**

31 December 2018	ECL impairment rate	Gross carrying amount	ECL impairment	Provisional price adjustment	Total
Current (not past due)	-	609,122	-	-	-
0-90 days past due	-	6,813	-	-	-
91-120 days past due	4%	5,128	(226)	-	(226)
121-180 days past due	9%	33,880	(3,185)	-	(3,185)
181-360 days past due	15%	9,829	(1,466)	-	(1,466)
More than 360 days past due	100%	85,819	(6,455)	(79,364)	(85,819)
		750,591	(11,332)	(79,364)	(90,696)

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.

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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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

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**	**-**	**3,451**	**3,451**	**22,428**	**78,992**	**108,322**
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**	**1,208,268**	**411,313**	**6,103,599**	**887,030**	**8,670,432**

As at 31 December 2018	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	183,578	140,453	42,776	148	169	32	183,578
Accrued expenses and other current liabilities	485,465	-	485,465	-	-	-	485,465
Loans and borrowings	7,047,202	-	432,881	723,728	5,083,107	827,658	7,067,374
	7,716,245	140,453	961,122	723,876	5,083,276	827,690	7,736,417

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 1.5:1. 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.

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 2019, outstanding advance was amounted to SR 25.3 million (2018: SR 35.4 million) including SR 10.1 million (2018: 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 2019, outstanding balance was amounted to SR 61.3 million (2018: SR Nil) including SR 4.6 million (2018: SR Nil) which is classified as current.

- An expected credit loss provision against a financial guarantee contract amounting to SR 92.4 million (2018: SR Nil).

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

21. EMPLOYEES' BENEFITS

	Notes	2019	2018
Post employment benefits	21.1	**491,233**	244,162
Thrift plan	21.2	**31,120**	25,287
		522,353	269,449

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:

	2019	2018
Current service cost	**31,714**	27,292
Interest cost on benefit obligation	**16,113**	7,514
	47,827	34,806

Re-measurement: Actuarial (gains)/ losses recognised in consolidated statement of profit or loss and other comprehensive income:

	2019	2018
Loss/(Gain) due to change in financial assumptions	**21,808**	(12,339)
Loss due to change in demographic assumptions	**9,421**	-
Loss due to change in experience adjustments	**26,850**	13,417
Share of joint venture and associates	**808**	-
	58,887	1,078

Movement in the present value of defined benefit obligation:

	2019	2018
As at 1 January	**244,162**	222,517
Effect of business combination (note 3)	**158,585**	-
Current service cost	**31,714**	27,292
Interest cost	**16,113**	7,514
Actuarial loss on the obligation	**58,079**	1,078
Benefits paid during the year	**(17,420)**	(14,239)
As at 31 December	**491,233**	244,162

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2019	2018
Discount rate	**3.6%**	4.50%
Future salary increases	**4.2%**	4.50%
Mortality rates	**A1949-52**	WHO 15
Rates of employee turnover	**Moderate**	Moderate

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits

Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year A1949-52 mortality table has been used (2018: World Health Organization "WHO" 15 mortality table was used). There is no major deviation in the mortality tables used.

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2019 is shown below:

Assumptions	**Discount rate**	
Sensitivity analysis	**0.5% Increase**	**0.5% Decrease**
Defined benefit obligation as at 2019	**466,073**	**517,714**
Defined benefit obligation as at 2018	232,998	256,296

	Future salary increase	
	0.5% Increase	**0.5% Decrease**
Defined benefit obligation as at 2019	**518,233**	**465,347**
Defined benefit obligation as at 2018	252,621	236,248

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 10 years (2018: 9.15 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

	2019	2018
Balance as at 1 January	**94,288**	86,995
Effect of business combination (note 3)	**23,521**	-
Addition during the year	**8,014**	2,861
Charge for the year	**5,765**	4,432
Balance as at 31 December	**131,588**	94,288

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered interest swap contracts with commercial banks to manage the exposure of volatility in interest rates, for a notional amount of SR 749.5 million with no upfront premium. At 31 December 2019, these interest rate swap agreements had negative fair values of Saudi Riyal 10.6 million.

24. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	**148,560**	183,578
Due to related parties (note 35)	**39,374**	-
	187,934	183,578

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	2019	2018
Goods received invoices not received		**305,423**	251,303
Distribution costs accruals		**72,224**	66,361
Finance costs accruals		**62,830**	46,441
Due to related parties	35	**28,223**	-
Precious metals accruals		**27,731**	3,737
Donations		**25,020**	23,643
Project related accruals		**24,102**	18,379
Advances from customers		**15,428**	-
Employees related liabilities		**25,970**	15,631
Others		**58,503**	59,970
		645,454	485,465

26. ZAKAT AND INCOME TAX PAYABLE

	2019	2018
Zakat payable	**193,926**	77,273
Income tax payable	**28,135**	18,379
	222,061	95,652

The principal elements of the Zakat base of the Group are as follows:

	2019	2018
Non-current assets	**19,863,730**	12,380,186
Non-current liabilities	**7,722,237**	6,329,924
Opening shareholders' equity	**5,918,907**	5,702,707
Profit before Zakat and income tax	**389,997**	867,067
Consumables spares	**364,145**	257,462
Dividend paid	**678,333**	366,667

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% (2018: 2.5%) 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 provision is as follows:

	Zakat	Income Tax	Total
Balance as at 1 January 2019	**77,273**	**18,379**	**95,652**
Effect of business combination (note 3)	**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**

	Zakat	Income Tax	Total
Balance as at 1 January 2018	95,027	35,628	130,655
Current year charge	77,273	18,379	95,652
Prior year (over)/under provision	(11,999)	25,446	13,447
Payments during the year	(83,028)	(61,074)	(144,102)
Balance as at 31 December 2018	77,273	18,379	95,652

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

26. ZAKAT AND INCOME TAX PAYABLE (continued)

The Zakat, income tax and deferred tax charge/(credit) for the year ended 31 December comprises of the following:

	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**

	Zakat	Income Tax	Deferred tax	Total
Company's share in Zakat and income taxes	65,274	1,809	-	67,083
Non controlling's share in income taxes	-	42,016	-	42,016
Deferred tax (note 11)	-	-	6,555	6,555
	65,274	43,825	6,555	115,654

During the year, 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 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.

Sahara International Petrochemical Company (Sipchem)
Sipchem received Zakat assessments for the years 2009 to 2010 with additional Zakat liability of SR 81 million. An appeal was filed with Preliminary Appeal Committee (PAC) against General Authority of Zakat and Income Tax (GAZT's) assessment which resulted in reduction of liability to SR 71 million. Thereafter, Sipchem has filed appeal against the SR 71 million liability at Higher Appeal Committee (HAC). The HAC conducted appeal hearing session on 26 September 2017 and requested certain additional information which were duly submitted to them. During 2019, the General Secretariat of Tax Committees (GSTC) took over existing Appellate Committees. Sipchem awaits GSTC review of this appeal. During Q4 2019, Sipchem received Zakat assessments for the years 2011 to 2014 with additional Zakat liability of SR 71 million. Sipchem accepted and settled an amount of SR 0.9 million "under protest" and is in process of filing appeal on the remaining amount with GAZT.

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 accepted and settled SR 0.17 million 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 accepted and 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 has accepted SR 0.69 million of Zakat and this will be settled upon GAZT's request. IMC has appealed on remaining amount for GAZT's re-consideration or transfer to the Appeal Committee. GAZT review is still 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 in PAC. Upon request, IAC has re-submitted the same appeal with General Secretariat of Tax Committees (GSTC). During Q3 2019, IAC received the GAZT response in respect of their treatment of certain items in the revised assessment. IAC has filed appeal with its viewpoint at GSTC. GSTC review is awaited.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

International Vinyl Acetate Company (IVC)

IVC received assessment for the years 2011 and 2012 for Zakat/tax and withholding tax. For 2011, GAZT assessed additional Zakat liability of SR 8.2 million and withholding tax and delay fine liability of SR 2.5 million. For 2012, the GAZT assessed additional Zakat liability of SR 16.6 million and withholding tax and delay fine liability of SR 1.0 million. IVC accepted and settled approximately SR 0.1 million and 0.03 million of withholding tax liability “under protest” for the years 2011 and 2012 respectively and filed appeal against the remaining liability at PAC. In Q3 2019, IVC received revised assessments of Zakat and delay fine on withholding tax for the years 2011 and 2012 from GAZT. The Zakat liability as per revised assessment is approximately SR 5.8 million and SR 15 million for the years 2011 and 2012 respectively. The delay fine on withholding tax as per revised assessment is SR 0.094 million and SR 0.023 million for the years 2011 and 2012 which has been subsequently cancelled by GAZT as it has already been settled by IVC earlier. IVC has accepted and settled an amount of approximately SR 18K of Zakat “under protest” and filed appeal with GSTC on the remaining liability. GSTC review is awaited.

Gulf Advanced Cable Insulation Company (GACI)

GACI received assessment for the year 2016 for Zakat and tax. The GAZT has assessed additional Zakat liability of approximately SR 0.3 million. GACI has accepted and settled approximately SR 0.005 million and has filed appeal against the remaining liability at PAC. In Q3 2019, GACI has received revised assessment from GAZT with Zakat liability being reduced by SR 0.013 million. GACI has accepted the revised assessment and 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. GSTC review is awaited.

Saudi Specialized Products Company (SSPC)

SSPC received an assessment for the years 2014 and 2015 with an additional Zakat and withholding tax liability of approximately SR 4.7 million. SSPC accepted and settled SR 0.92 million and filed appeal on remaining liability. SSPC received revised assessment from GAZT with a liability of SR 2.5 million and the Company filed appeal against the revised assessment with PAC. During 2019, the General Secretariat of Tax Committees (GSTC) took over existing Appellate Committees. SSPC still awaits GSTC review of its appeal.

27. REVENUE

27.1. Revenue streams

The Group generates revenue primarily from the sale of petrochemical products.

	2019	2018
Revenue from contract with customers	**5,439,730**	5,035,801
Total revenue	**5,439,730**	5,035,801

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.

	2019	2018
Primary geographic markets		
Foreign countries	**4,442,738**	4,784,387
Saudi Arabia	**996,992**	251,414
	5,439,730	5,035,801
Major products/service lines		
Petrochemical products	**5,405,685**	5,018,785
Product on contract basis	**34,045**	17,016
	5,439,730	5,035,801
Timing of revenue recognition		
Product transferred at a point in time	**5,405,685**	5,018,785
Product transferred over time	**34,045**	17,016
	5,439,730	5,035,801

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

27. REVENUE (continued)

27.3. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2019	2018
Receivables included in trade receivables	**833,362**	652,711
Contract assets included in trade receivables	**8,996**	7,184
Contractual liabilities	**(178,992)**	(35,422)

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

	2019	2018
Freight costs	**265,844**	168,946
Transportation costs	**21,891**	8,964
Insurance costs	**5,351**	1,468
Custom charges	**1,400**	1,189
Others	**20,355**	16,307
	314,841	196,874

29. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**2019**	2018
Employees' related costs	29.1	**297,466**	204,758
Depreciation & Amortization	29.2	**84,231**	71,604
Legal and professional expenses		**37,164**	11,112
Maintenance		**26,123**	-
Research related expenses		**8,158**	3,817
Board of directors' expenses		**7,515**	8,219
Donations		**6,439**	10,185
Others		**39,291**	32,432
		506,387	342,127
SSD charged to Lyondell Basell		**(22,265)**	-
SSD charged to SAMAPCO		**(69,988)**	-
		414,134	342,127

29.1. Employee related costs

	2019	2018
Included in cost of sales	**276,315**	397,629
Included in general and administrative expenses	**297,466**	204,758
	573,781	602,387

29.2. Depreciation and amortization

	2019	2018
Included in cost of sales	**822,513**	780,308
Included in general and administrative expenses	**84,231**	71,604
	906,744	851,912

30. FINANCE COST

	Notes	**2019**	2018
Finance charges on loans		**330,751**	267,867
Interest cost on defined benefit obligation	21	**16,113**	7,514
Commission on LC's & LG's		**6,055**	6,267
Un-winding cost of decommissioning liability	22	**5,765**	4,432
Interest on lease liabilities	7	**2,933**	-
Others		**8,274**	(23,366)
		369,891	262,714

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

31. OTHER INCOME AND EXPENSES, NET

	Notes	2019	2018
Other income	31.1	**310,053**	66,263
Other expenses	31.2	**(488,856)**	(60,679)
		(178,803)	5,584

31.1. Other income

	Notes	2019	2018
Income on loan settlement with bank	31.1.1	**296,060**	-
Reversal of accruals		**-**	24,831
Reversal of provision - employees' home ownership program		**-**	20,018
Scrap sales		**-**	6,543
Claim settled		**2,690**	5,237
Others		**11,303**	9,634
		310,053	66,263

31.1.1 During the year, 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	2019	2018
Impairment loss	6	**453,940**	-
Merger expense		**23,433**	23,700
Delay fines on withholding tax		**-**	17,859
Foreign exchange loss		**6,428**	3,396
Loss on disposal of property, plant and equipment	6	**391**	4,167
Others		**4,664**	11,557
		488,856	60,679

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2019 and 2018 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.

	2019	2018
Profit for the year attributable to equity holders of the company	**299,527**	582,953
Weighted average number of shares outstanding during the year	**580,556**	366,667
Basic and diluted earnings per share	**0.52**	1.59

33. DIVIDENDS

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). The distribution is limited to the shareholders who are registered in the Securities Depository Center (Edaa) at the end of second trading day following the eligibility date which was 1 January 2019. 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

	2019	2018
Capital commitments	**144,395**	224,143

34.2. Contingencies

	2019	2018
Letter of guarantees and credits	**810,011**	731,564

34.3. Contingent liabilities

The Group has no material contingent liabilities as at year ended 31 December 2019 except for those as disclosed in note 26 to the consolidated financial statements.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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.

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	2019	2018
Helm - Arabia	Sales made to Helm - Arabia	**680,311**	968,997
Hanwha	Sales made to Hanwha	**542,909**	530,354
JAMC	Sales made to JAMC	**140,209**	214,760
SAMAPCO	Shared service cost charged to SAMAPCO	**69,988**	-
	Interest income	**21,691**	-
	Transfer of HOP assets to SAMAPCO	**326**	-
	Allocation of HOP finance cost to SAMAPCO	**3,348**	-
	Cost and expenses charged to SAMAPCO	**6,385**	-
Lyondell Basell	Sales made to Lyondell Basell	**618,947**	-
	Shared services cost charged to Lyondell Basell	**22,265**	-
	Consultancy fee	**2,808**	-
	Cost and expenses charged by Lyondell Basell	**110**	-
	Transfer of HOP assets to Lyondell Basell	**262**	-
	Allocation of HOP finance cost to Lyondell Basell	**920**	-
SEPC	Purchase of ethylene by Al-Waha	**34,553**	-

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

35.2. The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables (Note - 15)

	2019	2018
Lyondell Basell and its associates	**178,798**	-
Hanwha Chemical Malaysia Sdn Bhd	**84,890**	99,524
HELM -Arabia GmbH & Co. KG (Helm -Arabia)	**80,495**	132,773
Japan Arabia Methanol Company Limited (JAMC)	**10,010**	19,555
	354,193	251,852

ii) Prepayments and other current assets

	2019	2018
SAMAPCO	**24,867**	-
Lyondell Basell	**6,247**	-
	31,114	-

iii) Trade and other payables

	2019	2018
Lyondell Basell and its associates	**30,012**	-
SEPC	**5,111**	-
SAMAPCO	**4,251**	-
	39,374	-

iv) Accrued expenses and other current liabilities

	2019	2018
SAMAPCO	**21,398**	-
Lyondell Basell	**6,825**	-
	28,223	-

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:

	2019	2018
Short-term employee benefits	**21,225**	15,691
End of service benefits	**6,352**	1,598
Thrift plan	**1,180**	1,243
Share based payment transactions	**91**	-
Total compensation related to key management personnel	**28,848**	18,532

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. (Refer to Note 26).

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 2019, 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.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

36. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES

Components of consolidated statement of financial position

	2019	2018
Cash and cash equivalents - non-conventional		
Current Murabaha (including fixed term deposits)	**944,687**	535,280
Current accounts (excluding fixed term deposits)	**846,590**	478,124
	1,791,277	1,013,404
Long term investments - non-conventional	**229,629**	-
Short term investments - non-conventional	**348,900**	321,833
Borrowings - non-conventional	**7,068,247**	6,304,654
Borrowings - conventional	**466,912**	648,768

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements.

38. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2019 and the date of authorization of consolidated financial statements by Board of Directors which may have an impact on these consolidated financial statements.

The Group noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organisation at a time close to the reporting date. 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.