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 2020

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 2020

KPMG Al Fozan & Partners
Certified Public Accountants
1st Floor, Battoyor Tower
King Saud Road, Al Safa
P.O. Box 4803
Al Khobar, 31952
Kingdom of Saudi Arabia

Telephone +966 13 816 2999
Fax +966 13 816 2888
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

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 2020, the consolidated income statement, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent auditor's report

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

Key audit matter (continued)

Impairment assessment of Goodwill

See Note 13 to the consolidated financial statements.

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

Independent auditor's report

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

Key audit matter (continued)	
Impairment testing of Non-financial assets	
See Note 6 to the consolidated financial statements.	
The Key audit matter	**How the matter was addressed in our audit**
As at 1 January 2016, the date of transition to IFRS, the Group determined that the recoverable amounts of two of its cash generating units (CGUs) namely International Diol Company (''IDC'') and Polybutylene Terephthalate (''PBT'') based on the CGU's value in use calculated by discounting the future cash flows using a pre-tax discount rate of 10%, were less than their carrying amount. This resulted in an impairment loss of SR 400 million in IDC and SR 300 million in PBT. In 2019, the Group recorded additional impairment of SR 256 million in IDC, and SR 150 million in PBT. Further, an impairment loss of SR 48 million was also recognized on Tool Manufacturing Division (TMF) for the year then ended. During the year ended 31 December 2020, management reassessed the impairment of certain CGU's. This resulted in an impairment loss of SR 280 million being recognized in the 2020 financial results. SR 100 million is related to the IDC CGU and SR 180 million is related to the EVA Film plant. The recoverable amount of the CGUs, which is based on the higher of the value in use or the fair value less costs to sell, has been derived using discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value growth rates and the weighted average cost of capital. The management of the Company has used external consultants forecasted prices as a reference for estimating prices of its products. Impairment testing of non-current assets is a key audit matter due to the complexity of the accounting requirements and the significant judgements required in determining the assumptions to be used to estimate the recoverable amount.	We performed the following procedures to address the key audit matter: • Assessed the methodology used by the management to determine a recoverable amount based on value in use and compared to the requirements of IAS 36. We also tested the arithmetical accuracy of the model used. • Inquired for any changes in the structure of CGUs of the Group, engaged our department of professional practice to evaluate the structure of CGUs as reported by management and ensured that the structure is compliant with the requirements of IAS 36. • Evaluated the appropriateness of the assumptions applied to key inputs to the valuation model, such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Group and the industry; • Engaged our internal valuation specialist to assist in evaluating the appropriateness of significant assumptions, such as growth rates, cost of capital and terminal values; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible changes in certain variables to evaluate the impact on the cash flow forecasts for the IDC and PBT CGUs; and • Evaluated the adequacy of the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Independent auditor's report

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

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 assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue; • Performed tests of details on a sample of sales transactions and vouched back to source documents. • Evaluated the appropriateness of provisional price adjustments for the unsold products with marketers as at the end of the year; • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Tested a sample of journal entries of accounts relating to significant risk areas and compared them to the supporting documents. • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the consolidated financial statement disclosures related to revenue.

KPMG

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

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

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

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

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

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 Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group").

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

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

For KPMG Al Fozan & Partners

Certified Public Accountants

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 13 March 2021

Corresponding to: 29 Rajab 1442H

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**13,015,719**	13,971,025
Right-of-use assets	7.1	**61,143**	67,608
Intangible assets	8	**379,388**	334,113
Investments in a joint venture and associates	9	**3,493,314**	3,559,679
Long term investments	10	**260,622**	229,629
Deferred tax assets	11	**4,970**	38,453
Long term prepaid employees' benefits	12	**942,796**	1,029,750
Goodwill	13	**630,483**	630,483
Other non-current assets		**3,349**	2,990
Total non-current assets		**18,791,784**	19,863,730
Current assets			
Inventories	14	**907,526**	957,467
Trade receivables	15	**1,060,918**	842,358
Prepayments and other current assets	16	**189,867**	187,540
Short term investments	19	**318,115**	348,900
Cash and cash equivalents	17	**2,496,871**	1,791,277
Total current assets		**4,973,297**	4,127,542
Total assets		**23,765,081**	23,991,272
Equity and Liabilities			
Equity attributable to the owners of the Company			
Share capital	18	**7,333,333**	7,333,333
Share premium		**4,145,053**	4,172,667
Treasury shares		**(59,990)**	(2,062)
Statutory reserve	18	**1,252,936**	1,235,350
Other reserves	18	**(82,178)**	(433)
Retained earnings		**397,522**	603,326
Total owners' equity		**12,986,676**	13,342,181
Non-controlling interests	5	**849,200**	995,819
Total equity		**13,835,876**	14,338,000
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	19	**5,339,916**	5,711,701
Sukuk	19	**-**	987,445
Long term advances from non-controlling shareholders	19	**53,326**	74,474
Contractual liabilities	20	**149,500**	164,246
Lease liabilities	7.2	**63,275**	68,594
Employees' benefits	21	**661,191**	522,353
Deferred tax liabilities	11	**49,400**	42,712
Decommissioning liability	22	**138,945**	131,588
Derivative financial instrument	23	**-**	10,568
Other non-current liabilities		**8,556**	8,556
Total non-current liabilities		**6,464,109**	7,722,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2020	31 December 2019
Current liabilities			
Sukuk		**987,773**	-
Current portion of long term bank loans and borrowings	19	**1,078,011**	836,013
Short term advances from non-controlling shareholders	19	**-**	21,500
Current portion of contractual liabilities	20	**14,746**	14,746
Current portion of lease liabilities	7.2	**3,898**	3,327
Trade and other payables	24	**226,848**	187,934
Accrued expenses and other current liabilities	25	**927,095**	645,454
Zakat and income tax payable	26	**219,845**	222,061
Derivative financial instruments	23	**6,880**	-
Total current liabilities		**3,465,096**	1,931,035
Total liabilities		**9,929,205**	9,653,272
Total equity and liabilities		**23,765,081**	23,991,272

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

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

The accompanying notes 1 through 37 appearing on pages 14 to 73 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 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 14 to 73 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 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2020	31 December 2019
Profit for the year		**57,173**	244,708
Other comprehensive income			
Items that will be reclassified to income statement in subsequent periods:			
Exchange difference on translation of foreign operations		**108**	634
Changes in the fair value of derivative financial instruments designated as hedge		**3,688**	(651)
Changes in other comprehensive loss of a joint venture and associates		**-**	(1,981)
Net total other comprehensive income/(loss) items that will be reclassified to income statement in subsequent periods		**3,796**	(1,998)
Items that will not be reclassified to income statement in subsequent periods:			
Re-measurement losses on defined benefit plan	21	**(81,600)**	(58,079)
Share of re-measurement losses on defined benefit plan from a joint venture and associates	21	**(58)**	(808)
Changes in the fair value of financial assets at fair value through other comprehensive income	10.3	**8,587**	12,658
Net total other comprehensive loss items that will not be reclassified to income statement in subsequent periods		**(73,071)**	(46,229)
Total other comprehensive loss for the year		**(69,275)**	(48,227)
Total comprehensive (loss)/income for the year		**(12,102)**	196,481
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**108,414**	255,481
Non-controlling interests	5	**(120,516)**	(59,000)
Total comprehensive (loss)/income for the year		**(12,102)**	196,481

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

The accompanying notes 1 through 37 appearing on pages 14 to 73 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 2020
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 2020	**7,333,333**	**4,172,667**	**(2,062)**	**1,235,350**	**(433)**	**603,326**	**13,342,181**	**995,819**	**14,338,000**
Profit for the year	-	-	-	-	-	**175,863**	**175,863**	**(118,690)**	**57,173**
Other comprehensive loss	-	-	-	-	**(67,449)**	-	**(67,449)**	**(1,826)**	**(69,275)**
Total comprehensive income/(loss)	-	-	-	-	**(67,449)**	**175,863**	**108,414**	**(120,516)**	**(12,102)**
Purchase of additional shares in Subsidiary	-	-	-	-	**(14,102)**	-	**(14,102)**	**18,500**	**4,398**
Advances from partners – Net	-	-	-	-	-	-	-	**4,600**	**4,600**
Net change in other reserves	-	-	-	-	**(194)**	-	**(194)**	-	**(194)**
Repurchase of treasury shares	-	**(27,614)**	**(57,928)**	-	-	-	**(85,542)**	-	**(85,542)**
Transfer to statutory reserve	-	-	-	**17,586**	-	**(17,586)**	-	-	-
Dividends	-	-	-	-	-	**(364,081)**	**(364,081)**	**(49,203)**	**(413,284)**
As at 31 December 2020	**7,333,333**	**4,145,053**	**(59,990)**	**1,252,936**	**(82,178)**	**397,522**	**12,986,676**	**849,200**	**13,835,876**

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

Khalid Abdullah Al- Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 37 appearing on pages 14 to 73 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 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2020	31 December 2019
Cash flow from operating activities			
Profit before Zakat and income tax for the year		**184,975**	389,997
Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flow generated from operating activities:			
Depreciation of property, plant and equipment	6	**869,024**	804,339
Depreciation of right-of-use assets	7	**4,389**	5,169
Income on loan settlement with bank	31	**-**	(296,060)
Impairment loss	31	**280,000**	453,940
Amortization of intangible assets and deferred costs		**73,164**	94,500
Amortization of contractual liabilities		**(14,746)**	(12,820)
Gain on sale of precious metals	31	**(321,515)**	-
Share of loss from a joint venture and associates	9	**33,757**	27,183
Provision for employees' benefits		**72,828**	40,335
Additions to long term prepaid employees' benefits	12	**(7,127)**	(2,372)
Loss on property, plant and equipment - written off		**46,198**	3,753
Gain on settlement of employees' end of service		**(22,182)**	-
Provision for slow moving stores and spares	14	**16,747**	5,481
Inventories - written off	14	**7,477**	-
Provision (reversal)/recognized expected credit losses	15	**(14,230)**	1,256
Trade receivables - written off	15	**-**	(7,695)
Net foreign exchange difference		**(291)**	937
Finance income		**(26,108)**	(59,607)
Finance cost		**293,502**	369,891
		1,475,862	1,818,227
Changes in:			
Trade receivables		**(204,330)**	121,797
Inventories		**25,717**	67,792
Prepayments and other current assets		**(39,298)**	92,857
Accrued expenses, trade and other payables		**344,287**	(277,972)
Employee benefits paid		**(5,611)**	(20,208)
Deductions under home ownership program	12	**65,171**	51,369
Zakat and income tax paid	26	**(58,604)**	(59,113)
Net cash generated from operating activities		**1,603,194**	1,794,749
Cash flow from investing activities			
Additions to property, plant and equipment	6	**(508,340)**	(662,386)
Additions to intangibles	8	**(7,367)**	(105)
Movement in long and short term investments		**3,008**	(7,939)
Movement in other non-current assets		**-**	529
Finance income received		**30,348**	38,015
Dividend received	9	**32,550**	286,370
Repayment of advance by SAMAPCO		**-**	79,320
Sales proceeds from sale of precious metals		**507,779**	-
Net cash generated from/(used in) investing		**57,978**	(266,196)
Cash flow from financing activities			
Proceeds from long term loans and borrowings		**1,575,000**	2,179,997
Repayment of long term loans and borrowings		**(1,698,464)**	(2,664,574)
Net change in advances from non-controlling		**(42,648)**	2,194
Movement in treasury shares		**(85,542)**	4,216
Dividend paid to shareholders		**(364,081)**	(678,333)
Movement in non-controlling shareholders		**(44,603)**	(150,857)
Interest paid		**(289,445)**	(350,670)
Payment of lease liabilities	7.4	**(6,194)**	(7,308)
Net cash used in financing activities		**(955,977)**	(1,665,335)

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

Net change in cash and cash equivalents	**705,195**	(136,782)
Cash and cash equivalents at 1 January	**1,791,277**	1,013,514
Cash and cash equivalents due to acquisition of	**-**	914,848
Effect of exchange rate fluctuations	**399**	(303)
Cash and cash equivalents at 31 December	**2,496,871**	1,791,277

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

The accompanying notes 1 through 37 appearing on pages 14 to 73 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.

Economic environment and its effects on business:
On 11th March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic.

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

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

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

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

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

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

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

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

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

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

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

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION (continued)

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

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

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

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

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

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

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

1.5. Joint Operation

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

1.6. Equity accounted investees

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

- Investment in certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method;
- Derivative financial instruments that are measured at fair value.

The financial statements are presented in Saudi Riyals (SR) in thousands unless otherwise stated.

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

2.2. Basis of consolidation

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

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

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

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

- 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. Summary of significant accounting policies

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

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.

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

a) Business combination (Continued)

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

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

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

b) Investment in joint ventures and associates

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

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

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

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

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

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

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

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

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

b) Investment in joint ventures and associates (Continued)

- 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.

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.

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

d) Fair value measurement (continued)

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

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

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

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

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.3. Summary of significant accounting policies (continued)
e) Revenue from contract with customers (continued)

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

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

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

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

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

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

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

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.

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

g) Foreign currency transactions (continued)

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

i) Intangible assets

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

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

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

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

Research and development costs

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

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

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

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

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

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

j) Leases

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

i) As a lessee

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

ii) As a lessor

The Group has no material lease contract as a lessor.

k) Borrowing costs

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

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

I) 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.

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.

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

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

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

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, 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.

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.

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

m) Impairment (continued)

i) Financial instruments and contract assets (continued)

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

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

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

ii) Measurement of ECLs

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

iii) Credit-impaired financial assets

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

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

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iv) Write-off

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

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

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

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.

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.

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

r) Provisions

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

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

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.

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

s) Zakat and income tax (continued)

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

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

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

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

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

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by function):
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense

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

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

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

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

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

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

x) Share based payments transactions

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

Equity-settled transactions

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

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

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

y) Segment reporting

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

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

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

z) Earnings per share

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

aa) Statutory reserves

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

ab) Short term investments

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

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

2.4. Significant accounting estimates and assumptions

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

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

i. Employees' end of service benefits

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

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

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

ii. Impairment of non-financial assets

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

iii. Useful lives of property, plant and equipment

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

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

2.4. Significant accounting estimates and assumptions (continued)

iv. Provisional price

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

v. Decommissioning liability

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

vi. Zakat and income tax

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

vii. Impairment of financial assets

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

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

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

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

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

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

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

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

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

B. New and revised standards issued but not yet effective

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

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

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

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

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 2020	**748,293**	**4,574,730**	**5,323,023**
31 December 2019	704,452	4,735,278	5,439,730

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

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

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

The summarized information of these subsidiaries is provided below:

Summarized statements of financial positions as at 31 December 2020

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

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

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 2020

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

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)	(4,182)
Total comprehensive income/(loss)	286,156	(427,381)	(386)	(123,079)	74,159	255,620	(18,523)	(61,763)	(15,197)
Attributable to:									
Equity holder of parent	193,841	(227,268)	(17,567)	(115,229)	71,981	194,030	(12,792)	(43,193)	43,803
Non-controlling interests	92,315	(200,113)	17,181	(7,850)	2,178	61,590	(5,731)	(18,570)	(59,000)

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

6. PROPERTY, PLANT AND EQUIPMENT

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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 2020 is SR 577.3 million (2019: SR 530 million) and comprises mainly of Integration management office "IMO" related cost, turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

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

6.2. Property, plant and equipment

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

6.3. Impairment

IDC and PBT CGUs

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

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

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

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

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

EVA film business unit

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

6.4. Assets written off

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

6.5. Change in estimate of useful life

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

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. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

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

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

7.1. Right-of-use assets

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

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

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

7.2. Lease liabilities

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

7. LEASES (continued)

7.3. Amounts recognized in income statement

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

7.4. Amounts recognized in statement of cash flow

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

7.5. Leases as lessor

The Group has no material lease contract as a lessor.

8. INTANGIBLE ASSETS

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

8. INTANGIBLE ASSETS (continued)

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

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

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

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

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

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

9.1. Investment in a joint venture (JV)

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

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

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

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

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

Reconciliation to carrying amount:

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

Summarized income statement of SAMAPCO:

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

9.2. Investment in associates

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

9.2.1. Tasnee and Sahara Olefins Company (TSOC)

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

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

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

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

Reconciliation to carrying amount:

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

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

Summarized income statement of TSOC:

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

9.2.2. Khair Inorganic Chemical Industries Company (Inochem)

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

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

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

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

Reconciliation to carrying amount:

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

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

Summarized income statement of Inochem:

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

10. LONG-TERM INVESTMENTS

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

10.1. At FVOCI

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

10.2. At amortized cost

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

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

Presented in the statement of financial position as follows:

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

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

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

11. DEFERRED TAX

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

11.1 Deferred tax assets

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

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

11.2 Deferred tax liabilities

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

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

12. LONG TERM PREPAID EMPLOYEES' BENEFITS

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

13. GOODWILL

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

13. GOODWILL (continued)

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

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

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

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

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

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

14. INVENTORIES

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

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

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

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

15. TRADE RECEIVABLES

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

15.1. Movement in impairment provision is as follows:

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

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

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

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

16. PREPAYMENTS AND OTHER CURRENT ASSETS

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

17. CASH AND CASH EQUIVALENTS

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

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

18. SHARE CAPITAL AND RESERVES

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

18. SHARE CAPITAL AND RESERVES (continued)

Statutory reserve

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

Other reserves

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

Movement in other reserves during the year is as follows:

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

18. SHARE CAPITAL AND RESERVES (continued)

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

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

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

18. SHARE CAPITAL AND RESERVES (continued)

31 December 2020:

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

31 December 2019:

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

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

19. FINANCIAL INSTRUMENTS

19.1. Financial assets

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

19.2. Financial liabilities

Financial liabilities measured at amortized cost:

a. Other financial liabilities

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

b. Loans and borrowings

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

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

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

Financial liabilities measured at fair value

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

19. FINANCIAL INSTRUMENTS (continued)

19.2. Financial liabilities (Continued)

Financial liabilities measured at fair value (Continued)

Secured loan - Saudi Industrial Development Fund

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

Shari'a compliant bank loans

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

Secured loan - Public Investment Fund

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

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

Advances from non-controlling shareholders

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

Sukuk

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

Bank Facilities

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

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:

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

19.3 Financial assets measured at fair value (continued)

	Carrying	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	As at 31 December 2020				
Short term investments					
Equity securities	**20,036**	**20,036**	**20,036**	**-**	**-**
Long term investments					
Listed mutual fund	**63,750**	**63,750**	**63,750**	**-**	**-**
Unlisted mutual fund	**121,095**	**121,095**	**-**	**121,095**	**-**
Equity shares	**15,522**	**15,522**	**15,522**	**-**	**-**
Total	**220,403**	**220,403**	**99,308**	**121,095**	**-**

	Carrying amount	Fair value	Level 1	Level 2	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	-

19.4. Measurement at fair value

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

19.5. Measurement at amortized cost

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

19.6. Financial instruments risk management objectives and policies

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

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

Market risk

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

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 risk

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

Interest rate sensitivity

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

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

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

Foreign Currency risk

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

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

Foreign currency sensitivity

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

Foreign currency sensitivity

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

Commodity price risk

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

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

Credit risk

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

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

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

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

Trade receivables and contract assets

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

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)
19.6. Financial instruments risk management objectives and policies (continued)
Trade receivables and contract assets (continued)

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

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

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

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

At 31 December 2020, the carrying amount of the Group's most significant customer (marketer/off-taker) is SR 194.8 million (2019: SR 178.8 million).

Expected credit loss assessment for customers as at 31 December 2020
The Group allocates each exposure to a credit risk grade based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

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

31 December 2020	**ECL impairment rate**	**Gross carrying amount**	**ECL impairment**
Current (not past due)	**-**	**967,367**	**-**
0-90 days past due	**-**	**60,355**	**-**
91-120 days past due	**-**	**3,012**	**-**
121-180 days past due	**10%**	**3,496**	**(360)**
181-360 days past due	**14%**	**4,759**	**(656)**
More than 360 days past due	**75%**	**91,956**	**(69,011)**
		1,130,945	**(70,027)**

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

ECL impairment rates are based on actual credit loss experience over the past years. These rates are reflective of economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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

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.

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

As at 31 December 2020	**Carrying Value**	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Lease liabilities	**67,173**	**-**	**3,124**	**3,124**	**20,374**	**67,490**	**94,112**
Trade and other payables	**226,848**	**-**	**226,848**	**-**	**-**	**-**	**226,848**
Accrued expenses and other current liabilities	**927,095**	**-**	**927,095**	**-**	**-**	**-**	**927,095**
Loans and borrowings	**7,459,026**	**-**	**1,428,186**	**640,701**	**4,935,637**	**499,762**	**7,504,286**
	8,680,142	**-**	**2,585,253**	**643,825**	**4,956,011**	**567,252**	**8,752,341**

As at 31 December 2019	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	71,921	-	3,437	3,437	22,315	71,388	100,577
Trade and other payables	187,934	-	187,934	-	-	-	187,934
Accrued expenses and other current liabilities	645,454	-	645,454	-	-	-	645,454
Loans and borrowings	7,631,133	60,222	371,429	407,862	6,081,171	808,038	7,728,722
	8,536,442	60,222	1,208,254	411,299	6,103,486	879,426	8,662,687

Capital management
Capital includes equity paid up capital and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

19. FINANCIAL INSTRUMENTS (continued)

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

Capital management (continued)

The Group monitors capital using a gearing ratio and current ratio, the Group's policy is to keep the gearing ratio maximum 3:1 and current ratio minimum 1.4:1. The Group calculates the gearing ratio by total liabilities divided by total shareholder's equity including non-controlling interest.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

20. CONTRACTUAL LIABILITIES

Contractual liabilities include the following:

- Advance received of SR 50.6 million resulting from a supply agreement which will be adjusted over a 60 month period starting from 2017. As at 31 December 2020, outstanding advance was amounted to SR 15.2 million (2019: SR 25.3 million) including SR 10.1 million (2019: SR 10.1 million) which is classified as current.
- Advance received for usage of certain shared facilities by a joint venture which will be adjusted over the duration of the shared facilities usage contract. As at 31 December 2020, outstanding balance was amounted to SR 56.7 million (2019: SR 61.3 million) including SR 4.6 million (2019: SR 4.6 million) which is classified as current.
- An expected credit loss provision against a financial guarantee contract amounting to SR 92.4 million (2019: SR 92.4 million).

21. EMPLOYEES' BENEFITS

	Notes	2020	2019
Post-employment benefits	21.1	**619,839**	491,233
Thrift plan	21.2	**41,352**	31,120
		661,191	522,353

21.1. Post employment benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the consolidated income statement and consolidated statement of other comprehensive income and amounts recognized in the consolidated statement of financial position.

Net benefit expense recognised in consolidated income statement:

	2020	2019
Current service cost	**61,496**	31,714
Interest cost on benefit obligation	**12,203**	16,113
	73,699	47,827

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits (continued)

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

	2020	2019
Loss due to change in financial assumptions	**29,102**	21,808
Loss due to change in demographic assumptions	**-**	9,421
Loss due to change in experience adjustments	**52,498**	26,850
Share of losses from joint venture and associates	**58**	808
	81,658	58,887

Movement in the present value of defined benefit obligation:

	2020	2019
As at 1 January	**491,233**	244,162
Effect of business combination	**-**	158,585
Current service cost	**61,496**	31,714
Interest cost on benefit obligation	**12,203**	16,113
Actuarial loss on the obligation	**81,600**	58,079
Benefits paid during the year	**(4,511)**	(17,420)
Gain on plan settlements	**(22,182)**	-
As at 31 December	**619,839**	491,233

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

	2020	2019
Discount rate	**3.1%**	3.6%
Future salary increases	**4.2%**	4.2%
Mortality rates	**A1949-52**	A1949-52
Rates of employee turnover	**6% per annum**	6% per annum

Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year A1949-52 mortality table has been used (2019: A1949-52 mortality table).

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2020 is shown below:

Assumptions	**Discount rate**	
Sensitivity analysis	**0.5% Increase**	**0.5% Decrease**
Defined benefit obligation as at 2020	**588,320**	**654,184**
Defined benefit obligation as at 2019	466,073	517,714

	Future salary increase	
	0.5% Increase	**0.5% Decrease**
Defined benefit obligation as at 2020	**654,641**	**587,571**
Defined benefit obligation as at 2019	518,233	465,347

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The average duration of the defined benefit obligation at the end of the reporting period is 11 years (2019: 10 years).

21.2. Thrift Plan

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

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

22. DECOMMISSIONING LIABILITY

	2020	2019
Balance as at 1 January	**131,588**	94,288
Effect of business combination	**-**	23,521
Addition during the year	**-**	8,014
Charge for the year	**7,357**	5,765
Balance as at 31 December	**138,945**	131,588

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered interest swap contracts with commercial banks to manage the exposure of volatility in interest rates, for original notional amount of SR 734.4 million with no upfront premium. At 31 December 2020, these interest rate swap agreements had negative fair values of Saudi Riyal 6.9 million (2019: SR 10.6 million).

24. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	**222,597**	148,560
Due to related parties (note 35)	**4,251**	39,374
	226,848	187,934

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	**2020**	2019
Goods received invoices not received		**322,037**	305,423
Provision for loss of precious metals		**234,509**	27,731
Due to related parties	35	**87,619**	28,223
Distribution costs accruals		**66,430**	72,224
Donations		**23,740**	25,020
Finance costs accruals		**17,083**	62,830
Project related accruals		**15,866**	24,102
Employees related liabilities		**14,749**	25,970
Others		**145,062**	73,931
		927,095	645,454

26. ZAKAT AND INCOME TAX PAYABLE

	2020	2019
Zakat payable	**223,309**	193,926
Income tax payable	**(3,464)**	28,135
	219,845	222,061

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

	2020	2019
Non-current assets	**18,796,155**	19,863,730
Non-current liabilities	**6,464,109**	7,722,237
Opening shareholders’ equity	**13,342,181**	5,918,907
Profit before Zakat and income tax	**185,203**	389,997
Consumables spares	**399,644**	364,145
Dividend paid	**364,081**	678,333

Some of these amounts have been adjusted in arriving at the Zakat charge for the year. Zakat for the year is payable at 2.578% (2019: 2.578%) of higher of the approximate Zakat base and adjusted net income attributable to Saudi shareholders. Income tax is payable at 20% of taxable income.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

26. ZAKAT AND INCOME TAX PAYABLE (continued)

The movement in the Zakat and income tax payable is as follows:

	Zakat	**Income Tax**	**Total**
Balance as at 1 January 2020	**193,926**	**28,135**	**222,061**
Current year charge	**77,792**	**13,580**	**91,372**
Prior year (over) provision	**(933)**	**(2,808)**	**(3,741)**
Utilization of prior year advance payment	**-**	**(31,243)**	**(31,243)**
Payments during the year	**(47,476)**	**(11,128)**	**(58,604)**
Balance as at 31 December 2020	**223,309**	**(3,464)**	**219,845**

	Zakat	Income Tax	Total
Balance as at 1 January 2019	77,273	18,379	95,652
Effect of business combination	19,046	-	19,046
Current year charge	109,878	20,059	129,937
Prior year over provision	32,501	4,038	36,539
Payments during the year	(44,772)	(14,341)	(59,113)
Balance as at 31 December 2019	193,926	28,135	222,061

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

2020	**Zakat**	**Income Tax**	**Deferred tax**	**Total**
Zakat and income tax attributable to owners of the Company	**76,859**	**-**	**-**	**76,859**
Income tax attributable to non-controlling interest	**-**	**10,772**	**-**	**10,772**
Deferred tax (note 11)	**-**	**-**	**40,171**	**40,171**
	76,859	**10,772**	**40,171**	**127,802**

2019	Zakat	Income Tax	Deferred tax	Total
Company's share in Zakat and income taxes	142,381	147	-	142,528
Non controlling's share in income taxes	-	23,950	-	23,950
Deferred tax (note 11)	-	-	(21,189)	(21,189)
	142,381	24,097	(21,189)	145,289

During 2019, Ministry of Finance of Saudi Arabia issued new Zakat By-Laws which are effective for periods starting from 1 January 2019. The new By-Laws, amongst other changes, clarify the Zakat treatment of certain related party transactions, debt instruments from shareholders and liabilities that are expected to remain outstanding for more than a lunar year. The Group has computed its Zakat liability for the year ended 31 December 2019 and 2020 as per the new Regulation.

Outstanding assessments:
The Group is subject to Zakat and income tax in accordance with the General Authority of Zakat and Income Tax ("GAZT") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular year end. This liability is considered an estimate until the final assessment by GAZT has been completed until which the Group retains exposure to additional Zakat and tax liability. Wherever necessary, the Group has recorded estimated additional Zakat and income tax liability in respect of the following open assessments.

Sahara International Petrochemical Company (Sipchem)
Sipchem received Zakat assessments for the years 2009 to 2010 with Zakat liability of SR 81 million. The Zakat liability was reduced to SR 71 million post appeal at Preliminary Appeal Committee ("PAC"). Sipchem further escalated the appeal to Higher Appeal Committee ("HAC") for reconsideration. During 2019, the General Secretariat of Tax Committees ("GSTC") took over existing Appellate Committees. Sipchem is in process of registering the case with GSTC. Sipchem received Zakat assessments for the years 2011 to 2014 with Zakat liability of SR 71.3 million. Sipchem settled an amount of SR 0.9 million "under protest" and filed appeal on remaining amount with GAZT for reconsideration. During the year ended 31 Dec 2020, GAZT rejected Sipchem's appeal and the case has been escalated to the GSTC. GSTC review is awaited.

Further, during the year ended 31 Dec 2020, Sipchem received Zakat assessments for the years 2015 to 2018 with Zakat liability of SR 12.4 million. Sipchem settled an amount of SR 5.1 million "under protest" and filed appeal on remaining amount for the GAZT's reconsideration. GAZT review is awaited.

26. ZAKAT AND INCOME TAX PAYABLE (continued)
Outstanding assessments: (continued)

International Methanol Company (IMC)
IMC received tax and Zakat assessments for the years 2003 through 2010 with Zakat, tax and delay fine liability of SR 60.6 million. IMC settled SR 0.17 million “under protest” and filed appeal on remaining liability. Following the consideration of objection letter, GAZT reduced the liability to approximately SR 19.8 million (SR 16.5 million of Zakat and SR 3.3 million of tax). IMC settled Zakat liability of SR 2.3 million “under protest” and filed an appeal on remaining liability with PAC. During Q1 2019, GAZT raised 2nd revised assessment and the liability was reduced to approximately SR 5.2 million. Based on review, IMC accepted SR 0.69 million of additional Zakat. During the year ended 31 December 2020, the Company has escalated the appeal against revised assessment at GSTC. GSTC review is awaited.

International Acetyl Company (IAC)
IAC received an assessment for the year 2006 to 2008 with an additional tax, withholding tax and Zakat liability of SR 0.6 million, SR 2.8 million and SR 3.9 million respectively. IAC paid SR 1.1 million out of SR 7.3 million and has appealed against these assessments. IAC has received revised assessment from GAZT with a liability of SR 3.7 million for Zakat and withholding tax. IAC has filed an appeal against the revised assessment with GSTC. GSTC decision is awaited.

During the year ended 31 Dec 2020, IAC has received Zakat assessments for the years 2011 through 2014 with Zakat liability of approximately SR 1.4 million. IAC has accepted and settled an under-protest a total amount of SR 0.33 million. The Company filed objection with GAZT for reconsideration. GAZT review is awaited.

International Vinyl Acetate Company (IVC)
IVC has received tax and Zakat assessments for the years 2011 and 2012 with Zakat, withholding tax and delay fine liability of approximately SR 28.3 million. IVC settled “under protest” a total amount of SR 0.25 million. The Company filed objection with GAZT for reconsideration. Based on revised assessment issued by GAZT, the liability has been reduced to approximately SR 20.8 million. The Company has appealed against revised assessment at GSTC. GSTC decision is awaited. Further, during the year ended December 2020, IVC received tax and Zakat assessments for the years 2013 and 2014 with a tax, Zakat and delay fine liability of SR 3.6 million. The Company filed objection with GAZT for reconsideration. Based on revised assessment issued by GAZT, the liability has been reduced to approximately SR 0.95 million. The Company intends to appeal against revised assessment at GSTC.

IVC received tax and Zakat assessment for the year 2015 with Zakat liability of approximately SR 0.23 million. The Company settled “under protest” a total amount of SR 0.23 million. The Company intends to appeal against assessment for GAZT reconsideration with respect to reduction in tax losses. Further, IVC has received withholding tax and capital gains tax assessment for the year 2015 with a liability of approximately SR 7.6 million. The Company filed objection against assessment for GAZT’s reconsideration. The GAZT review is awaited.

Gulf Advanced Cable Insulation Company (GACI)
GACI received assessment for the year 2016 with additional Zakat and tax liability of approximately SR 0.34 million. GACI accepted and settled SR 0.005 million and filed appeal against the remaining liability at PAC. In 2019, GACI has received revised assessment from GAZT with Zakat liability being reduced by SR 0.013 million. GACI has settled the liability “under protest”. However, GACI has filed appeal at GSTC against GAZT’s treatment of interest disallowance which had resulted in reduction in carry forward tax losses of SR 5.5 million with future tax impact of SR 1.1 million. During the year ended 31 Dec 2020, GSTC issued decision indirectly in favour of GACI. GACI has accepted the decision.

Further, during the year ended 31 December 2020, GACI has received Zakat assessment for the year 2018 with Zakat liability of approximately SR 0.045 million. The Company has settled Zakat liability under protest.

International Utility Company (IUC)
During Q3 2020, IUC received tax and Zakat assessment for the year 2018 with additional tax, Zakat and delay fine liability of SR 0.47million. IUC has under protest and settled the amount.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

26. ZAKAT AND INCOME TAX PAYABLE (continued)
Outstanding assessments: (continued)

Saudi Specialized Products Company (SSPC)
SSPC received tax and Zakat assessment for the years 2014 and 2015 with Zakat and withholding tax liability of approximately SR 4.7 million. The Company settled liability under protest a total amount of SR 0.94 million. SSPC received revised assessment from GAZT with a liability of SR 2.5 million and the Company has filed appeal against the revised assessment with GSTC. GSTC review is awaited. During the year ended 31 Dec 2020, SSPC has received Zakat assessment for the years 2017 and 2018 with Zakat liability of approximately SR 1 million. The Company has filed appeal against the assessment with GAZT. GAZT review is awaited.

Sahara Petrochemicals Company (Sahara)
Sahara received an assessment from GAZT with an additional Zakat liability of SR 25.4 million relating to years from 2016 to 2018. Sahara accepted and settled an under-protest amount of SR 2.38 million and filed appeal on remaining amount to GAZT. During the year ended 31 December 2020, GAZT rejected Sahara's appeal. Sahara has now escalated the matter to GSTC. GSTC review is awaited.

Sahara VAT group received a final VAT assessment on 11 January 2021 for the years 2018 and 2019 with an additional tax liability of SR 9.7 million and delay fine liability of SR 14.9 million. The Company is in the process of filing an objection letter against the assessment with the GAZT.

27. REVENUE
27.1. Revenue streams
The Group generates revenue primarily from the sale of petrochemical products.

	2020	2019
Revenue from contract with customers	**5,323,023**	5,439,730
Total revenue	**5,323,023**	5,439,730

27.2. Disaggregation of revenue from contracts with customers
In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	2020	2019
Primary geographic markets		
Foreign countries	**4,574,730**	4,442,738
Saudi Arabia	**748,293**	996,992
	5,323,023	5,439,730
Timing of revenue recognition		
Product transferred at a point in time	**5,276,087**	5,405,685
Product transferred over time	**46,936**	34,045
	5,323,023	5,439,730

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

	2020	2019
Receivables included in trade receivables	**1,053,388**	833,362
Contract assets included in trade receivables	**7,530**	8,996
Contractual liabilities	**(164,246)**	(178,992)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

28. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Freight costs	**331,372**	265,844
Transportation costs	**19,966**	21,891
Insurance costs	**12,712**	5,351
Custom charges	**1,414**	1,400
Others	**29,153**	20,355
	394,617	314,841

29. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**2020**	2019
Employees' related costs	29.1	**306,795**	297,466
Depreciation and amortization	29.2	**58,217**	84,231
Legal and professional expenses		**14,348**	37,164
Research related expenses		**5,148**	8,158
Board of directors' expenses		**10,242**	7,515
Donations		**4,690**	6,439
Others		**19,254**	65,414
		418,694	506,387
SSD charged to Lyondell Basell		**-**	(22,265)
SSD charged to SAMAPCO		**-**	(69,988)
		418,694	414,134

29.1. Employee related costs

	2020	2019
Included in cost of sales	**227,949**	276,315
Included in general and administrative expenses	**306,795**	297,466
	534,744	573,781

29.2. Depreciation and amortization

	2020	2019
Included in cost of sales	**900,380**	822,513
Included in general and administrative expenses	**58,217**	84,231
	958,597	906,744

30. FINANCE COST

	Notes	**2020**	2019
Finance charges on loans		**264,005**	330,751
Interest cost on defined benefit obligation		**11,048**	16,113
Commission on LC's & LG's		**4,703**	6,055
Un-winding cost of decommissioning liability	22	**7,357**	5,765
Interest on lease liabilities	7	**2,412**	2,933
Others		**3,977**	8,274
		293,502	369,891

31. OTHER INCOME AND EXPENSES, NET

	Notes	**2020**	2019
Other income	31.1	**412,239**	310,053
Other expenses	31.2	**(285,745)**	(488,856)
		126,494	(178,803)

31.1. Other income

	Notes	**2020**	2019
Gain on precious metal	31.1.1	**321,515**	-
Income on loan settlement with bank	31.1.2	**-**	296,060
Reversal of old accruals		**20,261**	-
Gain on settlement of EOSB plan		**22,182**	-
Income on loan settlement with partner		**28,916**	-
Foreign exchange gain		**5,057**	-
Claim settled		**4,538**	2,690
Others		**9,770**	11,303
		412,239	310,053

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

31.1. Other income (continued)

31.1.1 The Income of SR 321.5 million (2019: Nil) mainly represents gain on sale of certain precious metals used as catalysts in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

31.1.2 During 2019, the Company settled a loan with a commercial bank where the final payment was less than the outstanding amount of the loan liability resulting in an income.

31.2. Other expenses

	Notes	2020	2019
Impairment loss	6	**280,000**	453,940
Merger expense		**-**	23,433
Foreign exchange loss		**-**	6,428
Others		**5,745**	5,055
		285,745	488,856

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2020 and 2019 are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share because the Group does not have any dilutive instruments in issue.

	2020	2019
Profit for the year attributable to equity holders of the company	**175,863**	299,527
Weighted average number of shares outstanding during the year	**728,162**	580,556
Basic and diluted earnings per share	**0.24**	0.52

33. DIVIDENDS

On 15 December 2020, based on the recommendation of the Board of Directors, the Group announced to distribute cash dividends to its shareholders for the fiscal Year 2020 amounting to SR 366.7 million (i.e. SR 0.5 per share). On 6 January 2021, Sipchem distributed the dividend to the eligible shareholders.

On 23 December 2018, the Board of directors recommended to distribute an interim cash dividend for the second half of the year 2018 amounting to SR 238.3 million (i.e. SR 0.65 per share). On 15 January 2019, Sipchem distributed the dividend to shareholders. On September 25, 2019, the Board of directors recommended to distribute interim cash dividends for the first half of the year 2019 amounting to SR 440.0 million (i.e. SR 0.60 per share). The Company distributed these dividends during October 2019.

34. COMMITMENTS AND CONTINGENCIES

34.1. Commitments

	2020	2019
Capital commitments	**250,522**	144,395

34.2. Contingencies

	2020	2019
Letter of guarantees and credits	**640,260**	810,011

34.3. Contingent liabilities

The Group has no material contingent liabilities as at year ended 31 December 2020 except for those as disclosed in note 26 to the consolidated financial statements.

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	2020	2019
Helm – Arabia	Sales made to Helm – Arabia	-	680,311
Hanwha	Sales made to Hanwha	**448,366**	542,909
JAMC	Sales made to JAMC	**223,424**	140,209
SAMAPCO	Shared service cost charged to SAMAPCO	**98,670**	69,988
	Interest income	-	21,691
	Transfer of HOP assets to SAMAPCO	**121**	326
	Allocation of HOP finance cost to SAMAPCO	**3,356**	3,348
	Cost and expenses charged to SAMAPCO	**26,604**	6,385
Lyondell Basell	Sales made to Lyondell Basell	**826,322**	618,947
	Shared services cost charged to Lyondell Basell	**33,124**	22,265
	Consultancy fee	-	2,808
	Cost and expenses charged by Lyondell Basell	**261**	110
	Transfer of HOP assets to Lyondell Basell	**31**	262
	Allocation of HOP finance cost to Lyondell Basell	**1,033**	920
SEPC	Purchase of ethylene by Al-Waha	**38,018**	34,553

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

i) Trade receivables (Note - 15)

	2020	2019
Lyondell Basell and its associates	**194,815**	178,798
Hanwha Chemical Malaysia Sdn Bhd	**100,037**	84,890
HELM - Arabia GmbH & Co. KG (Helm -Arabia)	-	80,495
Japan Arabia Methanol Company Limited (JAMC)	**44,446**	10,010
	339,298	354,193

EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

ii) Prepayments and other current assets

	2020	2019
SAMAPCO	**34,465**	24,867
Lyondell Basell	**4,429**	6,247
	38,894	31,114

iii) Trade and other payables

	2020	2019
SAMAPCO	**4,251**	4,251
Lyondell Basell and its associates	**-**	30,012
SEPC	**-**	5,111
	4,251	39,374

iv) Accrued expenses and other current liabilities

	2020	2019
SAMAPCO	**35,611**	21,398
Lyondell Basell	**40,866**	6,825
Hanwha	**5,619**	
Helm – Arabia	**5,523**	
	87,619	28,223

35.3. Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation also includes the proportionate benefits of key management personnel of Sahara after business combination. The key management personnel compensation is as follows:

	2020	2019
Short-term employee benefits	**12,313**	21,225
End of service benefits	**2,276**	6,352
Thrift plan	**672**	1,180
Share based payment transactions	**91**	91
Total compensation related to key management personnel	**15,352**	28,848

35.4. Transfer pricing

On 25 Jumada Al Awwal 1440H corresponding to 31 January 2019G, the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia (KSA) issued Transfer Pricing Bylaws (By-laws). These by-laws were enacted on 15 February 2019 as part of the tax law and became binding on tax payers for periods ending on or after 31 December 2018. The Group has filed necessary documentation to comply with relevant tax law within statutory time limit.

35.5. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has assessed and recorded an impairment related to amounts owed by a related party. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

	2020	2019
Cash and cash equivalents - non-conventional		
Current Murabaha (including fixed term deposits)	**1,544,350**	944,687
Current accounts (excluding fixed term deposits)	**952,521**	846,590
	2,496,871	1,791,277
Long term investments - non-conventional	**260,622**	229,629
Short term investments - non-conventional	**318,115**	348,900
Borrowings - non-conventional	**7,053,371**	7,068,247
Borrowings - conventional	**352,329**	466,912

In March 2021, the Group refinanced the conventional borrowing and replaced it with a Shari'a compliant borrowing making all of its borrowings non-conventional.

37. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2020 and the date of authorization of consolidated financial statements by Board of Directors which may have an impact on these consolidated financial statements.

As explained in Note 1, the Company noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organization at a time close to first quarter ended 31 March 2020. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts. Material changes if any will be reflected as part of the operating results and cash flows of the future reporting periods.