Saudi International Petrochemical Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months period ended 31 March 2019
With Independent Auditors' Report

EXCELLENCE everywhere

INDEX **PAGE**

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi International Petrochemical Company

Introduction

We have reviewed the accompanying 31 March 2019 condensed consolidated interim financial statements of Saudi International Petrochemical Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2019;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2019;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2019; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

KPMG

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi International Petrochemical Company (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed consolidated interim financial statements of Saudi International Petrochemical Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, Date: 21 April, 2019
Corresponding to: 16 Shaban, 1440H

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019
EXPRESSED IN SAUDI RIYALS

	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Assets			
Non-current assets			
Goodwill		**29,543,923**	29,543,923
Property, plant and equipment	6	**11,298,614,280**	11,274,556,019
Intangible assets		**338,468,098**	352,947,636
Deferred tax assets		**8,473,218**	9,871,687
Employees' home ownership program		**670,029,096**	681,202,775
Total non-current assets		**12,345,128,615**	12,348,122,040
Current assets			
Inventories	7	**835,600,720**	806,926,521
Trade receivables	12	**713,688,043**	659,894,597
Current portion of employees' home ownership program		**32,300,286**	32,063,330
Prepayments and other current assets		**172,795,678**	197,562,118
Short term investments	10	**322,089,442**	321,832,601
Cash and cash equivalents		**1,297,442,709**	1,013,514,234
Total current assets		**3,373,916,878**	3,031,793,401
Total assets		**15,719,045,493**	15,379,915,441
Equity			
Equity attributable to the owners of the Company			
Share capital		**3,666,666,660**	3,666,666,660
Share premium		**36,940,323**	35,845,318
Treasury shares		**(6,278,010)**	(6,278,010)
Statutory reserve		**1,205,397,395**	1,205,397,395
Reserve for results of sale / purchase of shares in subsidiaries		**12,849,799**	12,849,799
Foreign currency translation reserve		**(8,202,616)**	(9,060,608)
Share based payment transactions reserve		**2,330,643**	2,619,506
Retained earnings		**887,258,573**	1,010,867,230
Total owners' equity		**5,796,962,767**	5,918,907,290
Non-controlling interests		**1,234,650,834**	1,206,078,868
Total equity		**7,031,613,601**	7,124,986,158
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	8	**5,059,987,281**	4,803,323,273
Sukuk	8	**1,000,044,589**	999,908,219
Long term advances from non-controlling shareholders	8	**98,622,180**	93,780,217
Lease liabilities		**57,282,581**	-
Deferred revenue		**22,771,125**	25,301,250
Deferred tax liabilities		**35,319,260**	35,319,260
Employees' benefits		**279,363,856**	269,449,010
Decommissioning liability		**95,473,065**	94,288,065
Other non-current liabilities		**8,556,086**	8,556,086
Total non-current liabilities		**6,657,420,023**	6,329,925,380

EXPRESSED IN SAUDI RIYALS

	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities			
Current portion of long term bank loans and borrowings	8	**1,294,240,572**	1,196,631,553
Current portion of deferred revenue		**10,120,500**	10,120,500
Trade and other payables		**76,290,191**	183,578,427
Accrued expenses and other current liabilities		**523,930,064**	439,021,720
Zakat and income tax payable	5	**125,430,542**	95,651,703
Total current liabilities		**2,030,011,869**	1,925,003,903
Total liabilities		**8,687,431,892**	8,254,929,283
Total liabilities and equity		**15,719,045,493**	15,379,915,441

The condensed consolidated interim financial statements appearing on pages 1 to 20 were approved by the Board of Directors of the Company on 21 April 2019, and have been signed on their behalf by:

Fahad Al Rajhi
Board member
(signed on behalf of Chairman)

Abdullah Al-Saadoon
Chief Executive Officer

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 15 appearing on pages 8 to 20 form an integral part of these condensed consolidated interim financial statements

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
EXPRESSED IN SAUDI RIYALS

	Note	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Revenue	4	**1,121,606,590**	1,170,941,064
Cost of sales		**(716,541,577)**	(756,175,052)
Gross profit		**405,065,013**	414,766,012
Selling and distribution expenses		**(61,049,471)**	(52,197,044)
General and administrative expenses		**(76,584,308)**	(78,991,233)
Operating profit		**267,431,234**	283,577,735
Finance income		**6,041,756**	6,821,372
Finance cost		**(84,427,437)**	(34,645,883)
Other income and expenses, net	13	**(15,866,048)**	2,863,822
Profit before Zakat and income tax		**173,179,505**	258,617,046
Zakat and income tax expense		**(29,479,449)**	(29,346,536)
Profit for the period		**143,700,056**	229,270,510
Profit attributable to:			
Equity holders of the Company		**114,724,676**	151,391,021
Non-controlling interests		**28,975,380**	77,879,489
Total profit for the period		**143,700,056**	229,270,510
Earnings per share:			
Basic and diluted earnings per share attributable to the equity holders of Company		**0.31**	0.41

Fahad Al Rajhi
Board member
(signed on behalf of Chairman)

Abdullah Al-Saadoon
Chief Executive Officer

Paul Jacobs
Vice President Corporate Finance

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EXPRESSED IN SAUDI RIYALS

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Profit for the period	**143,700,056**	229,270,510
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**857,992**	71,218
Total other comprehensive income for the period	**857,992**	71,218
Total comprehensive income for the period	**144,558,048**	229,341,728
Total comprehensive income attributable to:		
Equity holders of the Company	**115,582,668**	151,462,239
Non-controlling interests	**28,975,380**	77,879,489
Total comprehensive income for the period	**144,558,048**	229,341,728

Fahad Al Rajhi
Board member
(signed on behalf of Chairman)

Abdullah Al-Saadoon
Chief Executive Officer

Paul Jacobs
Vice President Corporate Finance

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
EXPRESSED IN SAUDI RIYALS

	Attributable to the owners of the Company										
	Share capital	Share premium	Treasury shares	Statutory reserve	Reserve for results of sale / purchase of shares in subsidiaries	Retained earnings	Foreign currency translation reserve	Shares based payment transaction reserve	Total	Non-controlling interest	Total
As at 1 January 2018 (Audited)	3,666,666,660	35,222,266	(7,831,990)	1,205,397,395	12,949,042	795,805,766	(7,761,813)	2,259,635	5,702,706,961	1,508,257,603	7,210,964,564
Profit for the period (Unaudited)	-	-	-	-	-	151,391,021	-	-	151,391,021	77,879,489	229,270,510
Other comprehensive income (Unaudited)	-	-	-	-	-	-	71,218	-	71,218	-	71,218
Total comprehensive income (Unaudited)	-	-	-	-	-	151,391,021	71,218	-	151,462,239	77,879,489	229,341,728
Net change in share premium account (Unaudited)	-	720,924	-	-	-	-	-	297,048	1,017,972	-	1,017,972
Repurchase of treasury shares (Unaudited)	-	-	23,010	-	-	-	-	-	23,010	-	23,010
As at 31 March 2018 (Unaudited)	3,666,666,660	35,943,190	(7,808,980)	1,205,397,395	12,949,042	947,196,787	(7,690,595)	2,556,683	5,855,210,182	1,586,137,092	7,441,347,274

	Attributable to the owners of the Company										
	Share Capital	Share premium	Treasury shares	Statutory reserve	Reserve for results of sale / purchase of shares in subsidiaries	Retained earnings	Foreign currency translation reserve	Shares based payment transaction reserve	Total	Non-controlling interest	Total
As at 1 January 2019 (Audited)	**3,666,666,660**	**35,845,318**	**(6,278,010)**	**1,205,397,395**	**12,849,799**	**1,010,867,230**	**(9,060,608)**	**2,619,506**	**5,918,907,290**	**1,206,078,868**	**7,124,986,158**
Profit for the period (Unaudited)	-	-	-	-	-	**114,724,676**	-	-	**114,724,676**	**28,975,380**	**143,700,056**
Other comprehensive income (Unaudited)	-	-	-	-	-	-	**857,992**	-	**857,992**	-	**857,992**
Total comprehensive income (Unaudited)	-	-	-	-	-	**114,724,676**	**857,992**	-	**115,582,668**	**28,975,380**	**144,558,048**
Advances from partners – discounting (Unaudited)	-	-	-	-	-	-	-	-	-	**(403,414)**	**(403,414)**
Net change in share premium account (Unaudited)	-	**1,095,005**	-	-	-	-	-	**(288,863)**	**806,142**	-	**806,142**
Dividends (Unaudited)	-	-	-	-	-	**(238,333,333)**	-	-	**(238,333,333)**	-	**(238,333,333)**
As at 31 March 2019 (Unaudited)	**3,666,666,660**	**36,940,323**	**(6,278,010)**	**1,205,397,395**	**12,849,799**	**887,258,573**	**(8,202,616)**	**2,330,643**	**5,796,962,767**	**1,234,650,834**	**7,031,613,601**

Fahad Al Rajhi
Board member
(signed on behalf of Chairman)

Abdullah Al-Saadoon
Chief Executive Officer

Paul Jacobs
Vice President Corporate Finance

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
EXPRESSED IN SAUDI RIYALS

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Cash flow from operating activities		
Profit before Zakat and income tax for the period	173,179,505	258,617,046
Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flow:		
Depreciation of property, plant and equipment	174,340,101	201,495,787
Amortization of intangible assets and deferred costs	22,701,381	18,531,235
Amortization of deferred revenue	(2,530,125)	-
Provision for employees' benefits	10,140,895	9,609,404
Provision for employees' home ownership receivables, net	-	-
Loss on property, plant and equipment - written off	53,838	3,341,786
Equity settled share based payments	-	297,048
Net foreign exchange difference	(92,909)	(1,560,611)
Finance income	(6,041,756)	(6,821,372)
Finance cost	84,427,437	34,645,883
	456,178,367	518,156,206
Changes in:		
Trade receivables	(53,793,446)	103,265,087
Inventories	(28,674,199)	(43,493,803)
Prepayments and other current assets	26,737,508	(1,026,183)
Accrued expenses, trade and other payables	(27,613,858)	(53,735,513)
Employee benefits paid	(2,978,673)	(3,745,621)
Proceeds from Employees' home ownership programs	7,624,198	7,414,692
Net change in deferred tax assets	1,398,469	-
Zakat and income tax refund/(paid)	299,390	(3,516,629)
Net cash generated from operating activities	379,177,756	523,318,236
Cash flow from investing activities		
Additions to property, plant and equipment and employees' home ownership program	(141,960,555)	(178,532,056)
Additions to Intangibles	(3,674)	-
Additions to short term investments, net	(256,841)	(141,461)
Finance income received	4,070,688	3,287,969
Net cash used in investing activities	(138,150,382)	(175,385,548)
Cash flow from financing activities		
Proceeds from long term loans and borrowings	500,000,000	300,000,000
Repayment of long term loans and borrowings	(169,377,733)	(98,605,466)
Net change in advances from non-controlling shareholders	4,438,549	(45,631,661)
Net change in share premium account	1,095,005	720,924
Movement in treasury shares, net	(288,863)	23,010
Dividend paid to shareholders	(238,333,333)	-
Interest paid	(55,583,425)	(35,406,104)
Net cash generated from financing activities	41,950,200	121,100,703
Net change in cash and cash equivalents	282,977,574	469,033,391
Cash and cash equivalents at 1 January	1,013,514,234	1,722,754,310
Effect of exchange rate fluctuations	950,901	1,631,829
Cash and cash equivalents at 31 December	1,297,442,709	2,193,419,530

EXPRESSED IN SAUDI RIYALS

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Non-cash transactions		
Transfer from Capital Work in Progress (CWIP) to Sipchem Home Ownership Program (SHOP)	-	4,010,202
Transfer from CWIP to intangible assets	-	3,033,635
Discounting impact on decommissioning liability	**1,185,000**	1,087,443
Finance cost on employees' end of service benefits	**2,752,624**	1,878,556
Un-winding of employees' receivables discounting	**(4,124,188)**	-

Fahad Al Rajhi
Board member
(signed on behalf of Chairman)

Abdullah Al-Saadoon
Chief Executive Officer

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 15 appearing on pages 8 to 20 form an integral part of these condensed consolidated interim financial statements

EXPRESSED IN SAUDI RIYALS

1. CORPORATE INFORMATION

Saudi International Petrochemical Company "Sipchem" or "the 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 one 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 a 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.

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

Subsidiaries	Ownership percentage at 31 March	
	2019	2018
International Methanol Company ("IMC")	**65%**	65%
International Diol Company ("IDC")	**53.91%**	53.91%
International Acetyl Company ("IAC") (1.1)	**87%**	87%
International Vinyl Acetate Company ("IVC") (1.1)	**87%**	87%
International Gases Company (" IGC") (1.2)	**97%**	72%
Sipchem Marketing Company ("SMC')	**100%**	100%
International Utility Company ("IUC")	**68.58%**	68.58%
International Polymers Company ("IPC")	**75%**	75%
Sipchem Chemical Company ("SCC")	**100%**	100%
Sipchem Europe Cooperative U.A and its subsidiaries	**100%**	100%
Gulf Advance Cable Insulation Company (GACI) (1.3)	**50%**	50%
Saudi Specialized products Company (SSPC)	**75%**	75%
Sipchem Asia PTE Ltd. (1.4)	**100%**	100%
Sipchem Specialized Technology Company (1.5)	**100%**	-

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 its subsidiary Sipchem Europe Cooperative U.A are to provide marketing services for the products manufactured by the group companies and other petrochemical products.

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.

1. CORPORATE INFORMATION (continued)

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced the commercial operations on 1 July 2018 after successful commissioning, testing and completion of acceptance formalities.

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

The principal activities of SSPC which was established in 2014, is the manufacture and sale of moulds and dies and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. The Tool Manufacturing Factory ("TMF") plant has started commercial operations from 1 November 2016. The EVA film plant has commenced commercial operations on 1 January 2019.

1.1 In February 2016, the Group acquired an additional 11% shares from a minority shareholder (Ikarus Petroleum Industries Company) in each of IAC and IVC, increasing its ownership from 76% to 87% for a consideration of SR 375.3 million. The Group recognized a reduction in non-controlling interests of SR 339.4 million and a reduction of SR 35.9 million in the equity attributable to the shareholders. Moreover, on 22 June 2009, one of the shareholders agreed to contribute less than required contribution towards shareholders advances and Sipchem has 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 became 89.52%.

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

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

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

1.5. During 2018, Sipchem has established Sipchem Specialized Technology Company which is registered in Riyadh. During 2019, the share capital of aforementioned Company amounting to SR 5,000,000 was paid. The principal activity of this Company is the manufacturing of metal equipment and spare parts.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These condensed consolidated interim financial statements ("Interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 2.5.

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

2.2. Basis of preparation

These interim financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Investment in equity securities measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

2.3. Use of judgements and estimates

In preparing these Interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

2.4. Basis of consolidation

The interim financial statements comprise the consolidated interim financial statements of the Company and its subsidiaries (Note 1) for the period ended 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Generally, there is a presumption that a majority of voting rights result 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 period 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 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)

2.4. 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 profit or loss
- 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.

2.5. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except for application of IFRS 16 - "Leases" which became effective on 1 January 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

IFRS 16 - 'Leases'

The Group has initially adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases.

The Group has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 (if any) is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

A. Definition of lease

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

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

EXPRESSED IN SAUDI RIYALS

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

2.5. Significant accounting policies (continued)

IFRS 16 - 'Leases' (continued)

B. As a lessee

The Group leases many assets including land, production and IT equipment and vehicles.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

	Property, plant and equipment				
	Land	Production equipment	IT equipment	Vehicles	Total
Balance as at 1 January 2019	38,586,376	16,102,742	197,853	3,393,646	58,280,617
Balance as at 31 March 2019	**38,147,423**	**15,967,450**	**116,898**	**3,041,331**	**57,273,102**

Significant accounting policy

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability.

The lease liability is initially measured at 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.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised.

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

The Group has applied judgement to determine the lease term of some lease contracts in which it is a lessee that include renewable options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Transition

Previouly, the Group classified certain leases as operating leases under IAS 17. These include leasehold land, certain production equipment, vehicles and IT equipment. Some leases include an option to renew the lease for an extended period that is to be mutually agreed between the parties. Further, some leases provide for additional rent payments that are based on annual increments.

At transition, leases which were classified under IAS 17 as operating leases were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at the value of the lease liabilities in accordance with practical expedients available for initial application of IFRS 16. Therefore, there is no impact on retained earnings as at 1 January 2019. Further, the Group used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

EXPRESSED IN SAUDI RIYALS

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

2.5. Significant accounting policies (continued)

IFRS 16 - 'Leases' (continued)

C. Impact on financial statements

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized SR 58.28 million of right-of-use assets and SR 58.28 million of lease liabilities as at 1 January 2019.

Also, in relation those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During three months ended 31 March 2019, the Group recognized SR 1.01 million of depreciation charge and 0.56 million of interest costs from these leases and derecognized an operating lease charge of SR 1.56 million. As at 31 March 2019, the carrying amount of right of use assets amounts to SR 57.27 million with SR 57.28 million recognized in lease liabilities.

2.6. Other standards

The following amended standards and interpretations are required to be adopted in annual periods beginning on or after 1 January 2019 and are not expected to have a significant impact on the Group's financial statements.

- IFRIC 23 - Uncertainty over Tax Treatments - (Refer to Note 5);
- Prepayment Features with Negative Compensation - (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures - (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement - (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015-2017 cycle;
- IFRS 3 - Business Combinations and IFRS 11 Joint Arrangements;
- IAS 12 - Income Taxes;
- IAS 23 - Borrowing Costs;
- Amendments to References to Conceptual Framework in IFRS Standards; and
- IFRS 17 - Insurance Contracts.

3. Revenue from contracts with customers

The Group's operations and main revenue streams are those described in the last annual financial statements.

i) 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.

	31 March 2019	31 March 2018
Primary geographic markets		
Foreign countries	**1,059,274,390**	1,104,569,438
Saudi Arabia	**62,332,200**	66,371,626
	1,121,606,590	1,170,941,064
Major products/service lines		
Petrochemical products	**1,118,844,730**	1,166,641,378
Product on contract basis	**2,761,860**	4,299,686
	1,121,606,590	1,170,941,064
Timing of revenue recognition		
Product transferred at a point in time	**1,118,844,730**	1,166,641,378
Product transferred over time	**2,761,860**	4,299,686
	1,121,606,590	1,170,941,064

EXPRESSED IN SAUDI RIYALS

3. Revenue from contracts with customers (continued)

ii) Contract balances

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

	31 March 2019	31 December 2018
Receivables included in trade receivables	**708,033,708**	652,710,725
Contract assets included in trade receivables	**5,654,335**	7,183,872
Contract liabilities	**-**	(568,499)

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 contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

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.
- **Marketing,** which include Sipchem Marketing Company and its foreign subsidiaries as defined in Note 1.
- **Corporate and others,** which includes Sipchem, EVA films and Tool manufacturing plant.

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

Period ended 31 March 2019	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Consolidation elimination	Total
Revenue							
External customers	274,423,239	427,572,002	279,227,685	100,535,227	39,848,437	-	1,121,606,590
Inter-segment	140,100,028	262,818,712	16,541,975	619,880,680	36,833,806	(1,076,175,201)	-
Total revenue	414,523,267	690,390,714	295,769,660	720,415,907	76,682,243	(1,076,175,201)	1,121,606,590
Gross profit	189,624,938	48,920,895	101,339,133	26,301,971	15,781,978	23,096,098	405,065,013
Operating profit / (loss)	137,728,310	9,076,889	75,939,330	13,345,225	2,275,316	29,066,164	267,431,234
Profit / (loss) before Zakat and tax	119,694,470	(17,371,553)	66,032,224	12,611,649	(30,788,174)	23,000,889	173,179,505
Total assets	4,504,650,004	6,450,020,446	3,380,807,063	853,078,706	10,159,834,004	(9,629,344,730)	15,719,045,493
Total liabilities	1,921,088,758	2,968,308,428	1,730,885,854	554,782,207	4,210,859,368	(2,698,492,723)	8,687,431,892
Capital expenditure	107,050,122	29,201,900	1,373,324	-	4,335,209	-	141,960,555

EXPRESSED IN SAUDI RIYALS

4. SEGMENT INFORMATION (CONTINUED)

Period ended 31 March 2018	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Consolidation elimination	Total
Revenue							
External customers	473,955,438	326,676,228	281,140,871	84,868,841	4,299,686	-	1,170,941,064
Inter-segment	66,995,725	238,499,517	15,204,317	646,145,863	37,517,911	(1,004,363,333)	-
Total revenue	540,951,163	565,175,745	296,345,188	731,014,704	41,817,597	(1,004,363,333)	1,170,941,064
Gross profit	264,533,841	41,746,666	90,219,298	19,027,811	1,037,905	(1,799,509)	414,766,012
Operating profit / (loss)	205,924,192	13,605,822	65,388,386	6,773,045	(10,808,638)	2,694,928	283,577,735
Profit / (loss) before Zakat and tax	229,641,464	78,356,738	78,923,806	10,547,371	(136,382,993)	(2,469,340)	258,617,046
Total assets	5,022,063,895	5,933,123,689	4,055,400,323	878,605,492	9,695,602,507	(9,250,865,948)	16,333,929,958
Total liabilities	2,229,888,592	2,641,183,514	2,287,329,116	565,263,054	3,619,391,472	(2,450,473,058)	8,892,582,690
Capital expenditure	150,142,204	6,390,089	6,863,861	187,500	14,948,402	-	178,532,056

Disaggregation of revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 March 2019	**62,332,200**	**1,059,274,390**	**1,121,606,590**
31 March 2018	66,371,626	1,104,569,438	1,170,941,064

Reconciliation of revenue disaggregated geographically to segment revenue

	For the period ended 31 March 2019					
	Basic chemicals	**Intermediate chemicals**	**Polymers**	**Marketing**	**Corporate and others**	**Total**
Revenue:						
Foreign countries	**245,310,084**	**427,572,002**	**248,770,500**	**100,535,227**	**37,086,577**	**1,059,274,390**
Saudi Arabia	**29,113,155**	**-**	**30,457,184**	**-**	**2,761,861**	**62,332,200**
Total revenue	**274,423,239**	**427,572,002**	**279,227,684**	**100,535,227**	**39,848,438**	**1,121,606,590**

	For the period ended 31 March 2018					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
Revenue:						
Foreign countries	448,291,464	326,676,228	246,682,701	82,919,044	-	1,104,569,437
Saudi Arabia	25,663,974	-	34,458,170	1,949,797	4,299,686	66,371,627
Total revenue	473,955,438	326,676,228	281,140,871	84,868,841	4,299,686	1,170,941,064

5. ZAKAT AND INCOME TAX

Outstanding assessments:

Saudi International Petrochemical Company (Sipchem)

Sipchem received Zakat assessments for the years 2009 to 2010 with additional Zakat liability of SR 81 million, Sipchem filed an appeal with Preliminary Appeal Committee (PAC) against General Authority of Zakat and Income Tax (GAZT's) assessment which resulted in reduction of liability to SR 71 million. Thereafter, Sipchem has filed appeal against the SR 71 million liability at Higher Appeal Committee (HAC). The HAC conducted appeal hearing session on 26 September 2017 and requested certain additional information which is duly submitted to them. HAC ruling is awaited.

International Methanol Company (IMC)

IMC received tax and Zakat assessments for the years 2003 through 2010 with a tax, Zakat and delay fine liability of SR 60.6 million. IMC accepted and 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 has accepted and settled Zakat liability of SR 2.3 million "under protest" and filed an appeal on remaining liability with PAC. GAZT has recently raised 2nd revised assessment and the liability has been reduced to approximately SR 5.2 million. The 2nd revised assessment is currently under review and IMC may consider filing appeal.

International Acetyl Company (IAC)

IAC received an assessment for the year 2006 to 2008 with an additional tax, withholding tax and Zakat liability of SR 0.6 million, SR 2.8 million and SR 3.9 million respectively. IAC paid SR 1.1 million out of SR 7.3 million and has appealed against these assessments. IAC has received revised assessment from GAZT with a liability of SR 3.7 million for Zakat and withholding tax. IAC has filed an appeal against the revised assessment in PAC. Recently upon request, IAC has re-submitted the same appeal in General Secretariat of Tax Committees (GSTC) portal. The GSTC review is awaited.

International Vinyl Acetate Company (IVC)

IVC has received assessment for the years 2011 and 2012 for tax/Zakat and withholding tax. For 2011, GAZT has assessed additional Zakat liability of SR 8.2 million and withholding tax and delay fine liability of SR 2.5 million. For 2012, the GAZT has assessed additional Zakat liability of SR 16.6 million and withholding tax and delay fine liability of SR 1.0 million. IVC has accepted and settled approximately SR 0.1 million and 0.03 million of withholding tax liability under protest for the years 2011 and 2012 respectively and has filed appeal against the remaining liability at PAC. The PAC ruling is awaited.

Gulf Advanced Cable Insulation Company (GACI)

GACI has received assessment for the year 2016 for tax/Zakat. The GAZT has assessed additional Zakat liability of approximately SR 0.3 million. GACI has accepted and settled approximately SR 0.005 million under protest and has filed appeal against the remaining liability at PAC. The PAC ruling is awaited.

Saudi Specialized Products Company (SSPC)

SSPC received an assessment for the years 2014 and 2015 with an additional Zakat and withholding tax liability of approximately SR 4.7 million. SSPC accepted and settled SR 0.92 million and has filed appeal on remaining liability. SSPC has received revised assessment from GAZT with a liability of SR 2.5 million and the Company has filed appeal against the revised assessment with PAC. The PAC ruling is awaited.

The Company is subject to Zakat and income tax in accordance with the General Authority for Zakat and Income Tax ("GAZT") regulations. Uncertainties exist with respect to the interpretation of Zakat and income tax regulations and the amount and timing of future Zakat / income tax base. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to Zakat and income tax base and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of Zakat and income tax assessments.

EXPRESSED IN SAUDI RIYALS

5. ZAKAT AND INCOME TAX (CONTINUED)

The amount of such provisions is based on various factors, such as experience of previous Zakat and income tax assessments and differing interpretations of Zakat and income tax regulations by the Company and GAZT. Where the final Zakat and income tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the Zakat and income tax expense and liability in the period in which such determination is made. Wherever necessary, the Group has recorded estimated additional Zakat and income tax liability in respect of the above mentioned open assessments. (Refer to Note 2.6 and Note 12.c).

6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

During the three months period ended 31 March 2019, the Group acquired assets with a cost of SR 141.2 million (three months period ended 31 March 2018: SR 178.5 million). Moreover, assets with a carrying amount of SR 0.05 million (three months period ended 31 March 2018: SR 3.3 million) were written off.

b. Capital work in progress

The Group's capital work-in-progress as at 31 March 2019 is SR 976 million (as at 31 December 2018: SR 995 million) and comprises mainly of construction costs related to, Debottlenecking (DBN), Environmental Efficiency Centre (SEEC) and costs related to several projects for improvements and enhancements of operating plants. Ethylene-vinyl acetate (EVA) Film plant has commenced the commercial operations starting from 1 January 2019 after successful commissioning, testing and completion of acceptance formalities.

7. INVENTORIES

During the three months period ended 31 March 2019, the Group wrote down its finished goods inventory by SR 7.49 million (three months period ended 31 March 2018: SR 1.01 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the condensed consolidated statement of profit or loss. Moreover, during the three months period ended 31 March 2019, provision of SR Nil (three months period ended 31 March 2018: SR 8.1 million) for slow moving stores and spares was reversed.

8. LOANS AND BORROWINGS

	Effective profit / interest rate %	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Current loans and borrowings			
Saudi industrial development fund	1.34% - 2.51%	**397,958,717**	400,203,968
Shari'a compliant bank loans	2.39% - 5.10%	**602,710,103**	482,365,943
Public investment fund loans	3.32% - 3.80%	**195,372,964**	205,399,002
Commercial loans	4.41% - 5.10%	**98,198,788**	108,662,640
		1,294,240,572	1,196,631,553
Total current loans and borrowings		**1,294,240,572**	1,196,631,553

	Effective profit / interest rate %	Maturity	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Non-current loans and borrowings				
Saudi industrial development fund	1.34% - 2.51%	2021 - 2022	**599,450,907**	602,408,239
Shari'a compliant bank loans	2.39% - 5.10%	2021 - 2027	**3,312,797,006**	3,034,224,436
Public investment fund loans	3.32% - 3.80%	2020 - 2026	**453,934,778**	459,612,219
Commercial loans	4.41% - 5.10%	2021 - 2023	**693,804,590**	707,078,379
			5,059,987,281	4,803,323,273
Other non-current loans				
Advances from non-controlling shareholders	5%	2021	**98,622,180**	93,780,217
Islamic Murabaha bonds (SUKUK)	5.19%	2021	**1,000,044,589**	999,908,219
Total non-current loans and borrowings			**6,158,654,050**	5,897,011,709
Total loans and borrowings			**7,452,894,622**	7,093,643,262

EXPRESSED IN SAUDI RIYALS

8. LOANS AND BORROWINGS (CONTINUED)

During the three months period ended 31 March 2019, the Group obtained commercial and Sharia' compliant loans amounting to SR 500 million which carries interest at market rates, and repaid an amount of SR 169 million.

9. DIVIDEND

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, equivalent to 6.5% of the share capital. The distribution is limited to the shareholders who are registered in the Securities Depository Center (Edaa) at the end of second trading day following the eligibility date which was 1 January 2019. On 15 January 2019, Sipchem distributed the dividend to shareholders.

10. FINANCIAL INSTRUMENTS

The Group's principal financial assets include cash and cash equivalents, trade receivable and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise short and long term loans and borrowings, advances from partners and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

Fair value hierarchy

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 condensed consolidated interim financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	As at 31 March 2019				
Short term investments					
Equity securities	**35,088,808**	**35,088,808**	**35,088,808**	**-**	**-**
Total	**35,088,808**	**35,088,808**	**35,088,808**	**-**	**-**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	As at 31 December 2018				
Short term investments					
Equity securities	34,831,968	34,831,968	34,831,968	-	-
Total	34,831,968	34,831,968	34,831,968	-	-

EXPRESSED IN SAUDI RIYALS

11. COMMITMENTS AND CONTINGENCIES

Commitments

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Capital commitments	**220,762,943**	224,142,615

Contingencies

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Letters of guarantee and credit	**579,725,931**	731,563,834

Contingent liabilities

In addition, the Group has no material contingent liabilities as at period ended 31 March 2019 except for those as disclosed in Note 5 to the condensed consolidated interim financial statements.

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated and affiliated 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	Shareholder of a subsidiary

a) Significant transaction with related parties other than key management personnel

Foreign partners of the subsidiaries marketed some of the Group's products. Total sales for three months period ended 31 March 2019 made through foreign partners amounted to SR 337 million (three months period ended 31 March 2018: SR 355 million). The above transactions resulted in the following unsecured balances with related parties that are shown as part of trade receivables.

Due from related parties

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Hanwha Chemical Malaysia Sdn Bhd	**89,759,412**	99,523,650
HELM -Arabia GmbH & Co. KG (Helm -Arabia)	**81,981,489**	132,773,476
Japan Arabia Methanol Company Limited (JAMC)	**35,326,016**	19,555,153
	207,066,917	251,852,279

b) 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.

The key management personnel compensation is as follows:

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Short-term employee benefits	**5,376,765**	5,855,667
End of service benefits	**5,063,701**	3,654,515
Thrift plan	**247,547**	320,844
Total compensation related to key management personnel	**10,688,013**	9,831,026

12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

c) 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. This requires additional disclosure forms along with annual tax returns to be submitted to GAZT, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. These By-laws also require tax payers to adjust their tax expense for any transactions that are not carried out on an arms' length basis. (Refer to Note 5).

13. OTHER INCOME / (EXPENSES), NET

Other income/(expenses) mainly includes the following:

13.1. During the three months period ended 31 March 2019, an amount of SR Nil related to delay fines on withholding tax is charged as other expenses (three months period ended 31 March 2018: SR 18 million).

13.2. The Group has reversed an amount of SR Nil related to excess provision in relation to employee home ownership program (three months period ended 31 March 2018: SR 20 million). Consequently, the Group recognized the reversal in other income.

13.3. During the three months period ended 31 March 2019, an amount of SR 14 million related to the expenses for proposed merger is charged as other expenses. (three months period ended 31 March 2018: SR nil). Refer Note 14.

14. PROPOSED MERGER

On 4 December 2013, Sipchem signed a Memorandum of Understanding ("MOU") with Sahara Petrochemical Company ("Sahara"), a Saudi Joint stock company, to begin non-binding negotiations relating to the detailed terms of a proposed merger between Sipchem and Sahara. During 2014, Sipchem and Sahara reached a conclusion that it would be difficult to implement the proposed merger for both Companies. Therefore, Sipchem and Sahara have decided to postpone the commercial negotiations related to the proposed merger and agreed to independently pursue their business and strategic objectives.

During 2018, Sipchem announced that they have resumed the discussions with Sahara in relation to the proposed merger. On 12 December 2018, Sipchem announced that, subject to necessary regulatory approvals, Sipchem and Sahara have entered into a legally binding agreement (the "Implementation Agreement") governing the terms and conditions on which Sipchem and Sahara propose to implement a business merger of equals by way of Sipchem making a recommended offer to acquire all of the issued shares in Sahara in exchange for the issue of new shares in Sipchem in accordance with the applicable rules and regulations of the Capital Market Authority ("CMA") and the Companies Regulations (the "Transaction"). Upon completion of the Transaction, all of the Sahara shares will be delisted from the Tadawul and Sahara will become a wholly-owned subsidiary of Sipchem subject to legal and compliance formalities.

15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these interim financial statements, no events occurred between the date of the condensed consolidated statement of financial position and the date of authorization of the interim financial statements by the Board of Directors which would have a material impact on the interim financial statements.