

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months period ended 31 March 2020
With Independent Auditor's Review Report

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

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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 on review of condensed consolidated interim financial statements

To the Shareholders of Sahara International Petrochemical Company

Introduction

We have reviewed the accompanying 31 March 2020 condensed consolidated interim financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2020;
- the condensed consolidated income statement for the three months period ended 31 March 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three months period ended 31 March 2020;
- the condensed consolidated statement of changes in equity for the three months period ended 31 March 2020;
- the condensed consolidated statement of cash flows for the three months period ended 31 March 2020; 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' that is 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' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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

To the Shareholders of Sahara 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 2020 condensed consolidated interim financial statements of Sahara 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: 17 May, 2019
Corresponding to: 24 Ramadan, 1441H

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

	Notes	31 March 2020 (Unaudited)	31 December 2019 (Audited)
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant and equipment	6	13,428,470	13,971,025
Right-of-use assets		66,949	67,608
Intangible assets		323,852	334,113
Investments in a joint venture and associates	7	3,548,964	3,559,679
Long term investments		211,629	229,629
Deferred tax assets		38,453	38,453
Long term prepaid employees' benefits		1,009,088	1,029,750
Goodwill		630,483	630,483
Other non-current assets		2,990	2,990
Total non-current assets		19,260,878	19,863,730
<u>Current assets</u>			
Inventories	8	846,957	957,467
Trade receivables	13	969,576	842,358
Prepayments and other current assets		282,157	187,540
Short term investments		349,072	348,900
Cash and cash equivalents		2,674,635	1,791,277
		5,122,397	4,127,542
Assets held for sale	9	29,512	-
Total current assets		5,151,909	4,127,542
Total assets		24,412,787	23,991,272
<u>Equity and Liabilities</u>			
<u>Equity attributable to the owners of the Company</u>			
Share capital		7,333,333	7,333,333
Share premium		4,172,667	4,172,667
Treasury shares		(2,062)	(2,062)
Statutory reserve		1,235,350	1,235,350
Other reserves		(21,835)	(433)
Retained earnings		550,501	603,326
Total owners' equity		13,267,954	13,342,181
Non-controlling interests		929,747	995,819
Total equity		14,197,701	14,338,000
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Long term bank loans and borrowings	10	5,812,618	5,711,701
Sukuk	10	987,581	987,445
Long term advances from non-controlling shareholders	10	74,889	74,474
Contractual liabilities		161,716	164,246
Lease liabilities		69,244	68,594
Employees' benefits		542,657	522,353
Deferred tax liabilities		42,712	42,712
Decommissioning liability		133,427	131,588
Derivative financial instrument		15,101	10,568
Other non-current liabilities		8,556	8,556
Total non-current liabilities		7,848,501	7,722,237

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

	<u>Notes</u>	<u>31 March 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
<u>Current liabilities</u>			
Current portion of long term bank loans and borrowings	10	1,014,779	836,013
Short term advances from non-controlling shareholders	10	3,500	21,500
Current portion of contractual liabilities		14,841	14,746
Current portion of lease liabilities		2,549	3,327
Trade and other payables		178,707	187,934
Accrued expenses and other current liabilities		911,839	645,454
Zakat and income tax payable	5	240,370	222,061
Total current liabilities		2,366,585	1,931,035
Total liabilities		10,215,086	9,653,272
Total liabilities and equity		24,412,787	23,991,272

The condensed consolidated interim financial statements appearing on pages 1 to 20 were approved by the Board of Directors of the Company on 24 Ramadan, 1441H (corresponding to 17 May 2020G) and have been signed on their behalf by:



Khalid Abdullah Al-Zamil
Chairman of the Board



Saleh Mohammed Bahamdan
Chief Executive Officer



Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 15 appearing on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Revenue	3	1,404,092	1,121,607
Cost of sales		<u>(1,142,176)</u>	<u>(716,542)</u>
Gross profit		261,916	405,065
Selling and distribution expenses		(105,593)	(61,050)
General and administrative expenses		(89,978)	(76,584)
Operating profit		66,345	267,431
Share of loss from a joint venture and associates		(10,153)	-
Finance income		6,603	6,042
Finance cost		(91,053)	(84,428)
Other income and expenses, net	14	(71,857)	(15,866)
(Loss) / profit before Zakat and income tax		(100,115)	173,179
Zakat and income tax expense		(18,782)	(29,479)
(Loss) / profit for the period		(118,897)	143,700
(Loss)/ profit attributable to:			
Equity holders of the Company		(52,825)	114,725
Non-controlling interests		(66,072)	28,975
Total (loss)/ profit for the period		(118,897)	143,700
Earnings per share:			
Basic and diluted (loss per share) / earnings per share attributable to the equity holders of the Company in Saudi Riyals		(0.07)	0.31



Khalid Abdullah Al- Zamil
Chairman of the Board



Saleh Mohammed Bahamdan
Chief Executive Officer



Rusdi Khalid Al-Dulaijan
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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 March 2019</u> <u>(Unaudited)</u>
(Loss)/Profit for the period	<u>(118,897)</u>	<u>143,700</u>
Other comprehensive income		
<i>Items that will be reclassified to income statement in subsequent periods:</i>		
Exchange difference on translation of foreign operations	(22)	858
Changes in fair value of derivative financial instruments designated as hedge	(4,532)	-
<i>Items that will not be reclassified to income statement in subsequent periods:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	(17,323)	-
Total other comprehensive (loss)/ income for the period	<u>(21,877)</u>	<u>858</u>
Total comprehensive (loss)/ income for the period	<u>(140,774)</u>	<u>144,558</u>
Total comprehensive (loss)/ income attributable to:		
Equity holders of the Company	(74,702)	115,583
Non-controlling interests	(66,072)	28,975
Total comprehensive (loss)/ income for the period	<u>(140,774)</u>	<u>144,558</u>



Khalid Abdullah Al- Zamil
Chairman of the Board



Saleh Mohammed Bahamdan
Chief Executive Officer



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Vice President, Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Attributable to the owners of the Company						Non-controlling interest	Total	
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings			
As at 1 January 2019 (Audited)	3,666,667	-	(6,278)	1,205,397	42,254	1,010,867	5,918,907	1,206,079	7,124,986
Profit for the period (Unaudited)	-	-	-	-	-	114,725	114,725	28,975	143,700
Other comprehensive income (Unaudited)	-	-	-	-	858	-	858	-	858
Total comprehensive income (Unaudited)	-	-	-	-	858	114,725	115,583	28,975	144,558
Advances from partners – discounting (Unaudited)	-	-	-	-	-	-	-	(403)	(403)
Net change in other reserves (Unaudited)	-	-	-	-	806	-	806	-	806
Dividends (Unaudited)	-	-	-	-	-	(238,333)	(238,333)	-	(238,333)
As at 31 March 2019 (Unaudited)	3,666,667	-	(6,278)	1,205,397	43,918	887,259	5,796,963	1,234,651	7,031,614

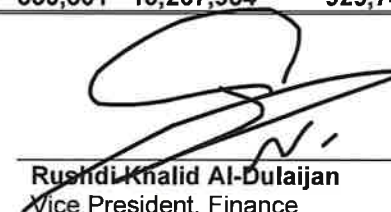
	Attributable to the owners of the Company						Non-controlling interest	Total	
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings			
As at 1 January 2020 (Audited)	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	13,342,181	995,819	14,338,000
Loss for the period (Unaudited)	-	-	-	-	-	(52,825)	(52,825)	(66,072)	(118,897)
Other comprehensive loss (Unaudited)	-	-	-	-	(21,877)	-	(21,877)	-	(21,877)
Total comprehensive loss (Unaudited)	-	-	-	-	(21,877)	(52,825)	(74,702)	(66,072)	(140,774)
Net change in other reserves (Unaudited)	-	-	-	-	475	-	475	-	475
As at 31 March 2020 (Unaudited)	7,333,333	4,172,667	(2,062)	1,235,350	(21,835)	550,501	13,267,954	929,747	14,197,701



Khalid Abdullah Al- Zamil
Chairman of the Board



Saleh Mohammed Bahamdan
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Rushdi Khalid Al-Dulaijan
Vice President, Finance


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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Cash flow from operating activities		
(Loss) / profit before Zakat and income tax for the period	(100,115)	173,179
<i>Non-cash adjustments to reconcile (loss)/ profit before Zakat and income tax to net cash flow generated from operating activities:</i>		
Depreciation of property, plant and equipment	213,923	174,340
Depreciation of right-of-use assets	659	-
Impairment loss	280,000	-
Amortization of intangible assets and deferred costs	17,434	22,701
Amortization of contractual liabilities	(2,435)	(2,530)
Gain on disposal of precious metals	(206,142)	-
Share of loss from a joint venture and associates	10,153	-
Provision for employees' benefits	18,197	10,141
Loss on property, plant and equipment - written off	-	54
Inventories - written off	10,863	7,496
Net foreign exchange difference	(486)	(93)
Finance income	(6,603)	(6,042)
Finance cost	91,053	84,427
	326,501	463,673
Changes in:		
Trade receivables	(127,218)	(53,793)
Inventories	99,647	(36,170)
Prepayments and other current assets	(92,371)	26,738
Accrued expenses, trade and other payables	244,167	(27,614)
Employee benefits paid	(1,534)	(2,979)
Proceeds under home ownership program	15,745	7,624
Zakat and income tax paid	(473)	1,698
Net cash generated from operating activities	464,464	379,177
Cash flow from investing activities		
Additions to property, plant and equipment	(109,973)	(141,960)
Additions to long term prepaid employees benefits	(1,939)	-
Additions to Intangibles	(317)	(4)
Movement in long and short term investments, net	(407)	838
Finance income received	4,357	4,071
Sale proceed from disposal of precious metals	335,234	-
Net cash used in investing activities	226,955	(137,055)
Cash flow from financing activities		
Proceeds from long term loans and borrowings	450,000	500,000
Repayment of long term loans and borrowings	(206,149)	(169,378)
Net change in advances from non-controlling shareholders	(17,585)	4,439
Movement in treasury shares, net	-	(289)
Dividend paid to shareholders	-	(238,333)
Interest paid	(35,425)	(55,583)
Payment of lease liabilities	634	-
Net cash used in financing activities	191,475	40,856
Net change in cash and cash equivalents	882,894	282,978
Cash and cash equivalents at 1 January	1,791,277	1,013,514
Effect of exchange rate fluctuations	464	951
Cash and cash equivalents at 31 March	2,674,635	1,297,443


Khalid Abdullah Al- Zamil
Chairman of the Board


Saleh Mohammed Bahamdan
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Vice President, Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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 Al-Awal, 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 following completion of the business combination of equals between Saudi International Petrochemical Company 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:

Recent development of coronavirus (COVID-19) and global recession due to falling demand are impacting the businesses in form of economic contraction. These circumstances have already started impacting the business activities, however, Management has proactively responded to contain the impact of these developments and established a business continuity committee. The committee has established processes to ensure health and safety of its employees and contractors and is closely monitoring the current situation given global commodity price deterioration.

Notwithstanding these challenges, Sipchem business operations currently remain largely unaffected as the Group was successful in maintaining stable operations for the quarter ended 31 March 2020. Further, the Group is having continued supply of essential feedstocks to meet expected demand of its products. Sipchem's management continues to monitor the situation closely as the situation is fluid and rapidly evolving.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION (continued)

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

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

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.

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.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION (continued)

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

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

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

The principal activities of SSPC which was established in 2014, 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. On 22 June 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%. 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 effective ownership from 78.52% to 89.52% 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.

1.2. 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.

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

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

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 March	
	2020	2019
Tasnee and Sahara Olefins Company ("TSOC")	32.55%	-
Saudi Acrylic Acid Company ("SAAC")	43.16%	-
Khair Inorganic Chemicals Industries Company ("Inochem")	30.00%	-

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(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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 2019 ("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.

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 condensed 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; and
- Derivative financial instruments that are measured at fair value.

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. 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-c).

Except for the change in estimate for value in use of certain CGUs as discussed above, 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. Further, as the scale and duration of this development remains uncertain and is rapidly evolving the management is closely monitoring the situation and taking adequate measures to ensure estimates and judgements remain reasonable.

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 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; 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; and
- The Group's voting rights and potential voting rights.

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

2.4. Basis of consolidation (continued)

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 condensed consolidated interim 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.

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; and
- 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 off 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 an 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 2019.

2.6. Accounting standards issued but not yet effective

The following standards and interpretations are effective for annual periods beginning after 1 January 2020. These standards are not expected to have a significant impact on the Group's consolidated financial statements:

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

The following standards and interpretations are effective for annual periods beginning after 1 January 2021. Earlier application of these standards are permitted, However, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements. These standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts - effective from 1 January 2021;
- Classification of Liabilities as current/noncurrent (Amendments to IAS 1) - effective from 1 January 2022;
- Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - Available for optional adoption/effective date deferred indefinitely.

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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 2020 (Unaudited)	31 March 2019 (Unaudited)
Primary geographic markets		
Foreign countries	1,135,672	1,059,275
Saudi Arabia	268,420	62,332
	1,404,092	1,121,607
Major products/service lines		
Petrochemical products	1,392,052	1,118,845
Product on contract basis - specialized products, tools etc	12,040	2,762
	1,404,092	1,121,607
Timing of revenue recognition		
Product transferred at a point in time	1,392,052	1,118,845
Product transferred over time	12,040	2,762
	1,404,092	1,121,607

ii) Contract balances

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

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Receivables included in trade receivables	956,715	833,362
Contract assets included in trade receivables	12,861	8,996
Contract liabilities	(176,557)	(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 contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

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4. SEGMENT INFORMATION

The Group has the following operating segments:

- **Basic Chemicals**, which includes Methanol, Butane products and Carbon monoxide.
- **Intermediate chemicals**, which includes Acetic acid, Vinyl acetate monomer, Ethyl acetate, Butyl acetate, and utilities.
- **Polymers**, which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products. This segment also includes polypropylene.
- **Marketing**, 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.

Period ended 31 March 2020 (Unaudited)	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
Revenue							
External customers	342,567	353,149	492,647	208,633	7,096	-	1,404,092
Inter-segment	122,753	238,267	14,157	818,775	-	(1,193,952)	-
Total revenue	465,320	591,416	506,804	1,027,408	7,096	(1,193,952)	1,404,092
Gross profit/(loss)	198,645	10,256	18,141	32,853	(3,359)	5,380	261,916
Operating profit/(loss)	128,029	(52,310)	(23,482)	18,946	(17,339)	12,501	66,345
Share of loss from associates and joint venture	-	-	-	-	(10,153)	-	(10,153)
Profit / (loss) before Zakat and tax	10,857	124,213	(56,926)	19,894	(204,016)	5,863	(100,115)
Total assets	3,955,249	5,499,722	7,344,612	1,178,755	23,118,688	(16,684,239)	24,412,787
Total liabilities	1,979,594	2,188,101	3,415,604	802,866	5,462,111	(3,633,190)	10,215,086
Capital expenditure	38,312	11,072	37,660	2	23,296	-	110,342

Period ended 31 March 2019 (Unaudited)	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Consolidation elimination	Total
Revenue							
External customers	274,423	427,572	279,228	100,535	39,849	-	1,121,607
Inter-segment	140,100	262,819	16,542	619,881	36,834	(1,076,176)	-
Total revenue	414,523	690,391	295,770	720,416	76,683	(1,076,176)	1,121,607
Gross profit	189,625	48,921	101,339	26,302	15,782	23,096	405,065
Operating profit	137,728	9,077	75,939	13,345	2,275	29,067	267,431
Profit / (loss) before Zakat and tax	119,694	(17,372)	66,032	12,612	(30,788)	23,001	173,179
Total assets	4,504,650	6,450,020	3,380,807	853,079	10,159,834	(9,629,345)	15,719,045
Total liabilities	1,921,088	2,968,308	1,730,885	554,782	4,210,859	(2,698,490)	8,687,432
Capital expenditure	107,050	29,201	1,373	-	4,336	-	141,960

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4. SEGMENT INFORMATION (continued)

Revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 March 2020	268,420	1,135,672	1,404,092
31 March 2019	62,332	1,059,275	1,121,607

Revenue by geography and segment

	For the period ended 31 March 2020 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
<i>Revenue:</i>						
Foreign countries	316,858	297,734	414,504	111,520	(4,944)	1,135,672
Saudi Arabia	25,709	55,415	78,143	97,113	12,040	268,420
Total revenue	342,567	353,149	492,647	208,633	7,096	1,404,092
	For the period ended 31 March 2019 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
<i>Revenue:</i>						
Foreign countries	245,310	427,572	248,771	100,535	37,087	1,059,275
Saudi Arabia	29,113	-	30,457	-	2,762	62,332
Total revenue	274,423	427,572	279,228	100,535	39,849	1,121,607

5. ZAKAT AND INCOME TAX

Outstanding assessments:

Details of outstanding assessments of the Group are the same as disclosed in Group's last annual financial statements for the year ended 31 December 2019 except for the following:

Sahara International Petrochemical Company (formerly Saudi International Petrochemical Company)

Sipchem has received Zakat assessments for the years 2011 to 2014 with additional Zakat liability of SR 71 million. Sipchem has accepted and settled an under-protest amount of SR 0.9 million and filed appeal on remaining amount for the General Authority for Zakat and Tax ("GAZT") reconsideration. During the current period ended 31 March 2020, GAZT rejected Sipchem's appeal and the case has now been escalated to the General Secretariat of Tax Committees ("GSTC").

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 Preliminary Appeal Committee ("PAC"). During 2019, GAZT has raised revised assessment and the liability has been reduced to approximately SR 5.2 million. Based on review, IMC has accepted SR 0.68 million of Zakat and this will be settled upon GAZT's request. IMC has appealed on remaining amount for GAZT's re-consideration or transfer to the Appeal Committee. During the current period ended 31 March 2020, based on elapsed timeline of 90 days for GAZT to respond, the Company has escalated the appeal to GSTC. GSTC review is awaited.

Saudi Specialized Products Company (SSPC)

SSPC received an assessment for the years 2014 and 2015 with an additional Zakat and withholding tax liability of approximately SR 4.7 million. SSPC accepted and settled SR 0.92 million and 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. During 2019, the General Secretariat of Tax Committees (GSTC) has taken over existing Appellate Committees. During the current period ended 31 March 2020, based on elapsed timeline of 90 days for GAZT to respond, the Company has escalated the appeal to GSTC. GSTC review is awaited.

Sahara Petrochemicals Company (Sahara)

During April 2020, Sahara has received an assessment from GAZT with an additional Zakat liability of SR 25.4 million relating to years from 2016 to 2018. Sahara is currently reviewing the GAZT's assessment and intends to file an appeal for reconsideration.

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6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the three months period ended 31 March 2020, the Group acquired assets with a cost of SR 109.9 million (three months period ended 31 March 2019: SR 141.2 million).
- During the three months period ended 31 March 2020, assets with a carrying amount of SR 209.5 million has been reclassified as held for sale. Refer to note 9.
- During the three months period ended 31 March 2020, gain of 206.1 million has been recognized from sale of certain precious metals (three months period ended 31 March 2019: SR Nil).
- There were no write off assets during the three months period ended 31 March 2020 (three months period ended 31 March 2019: SR Nil).

b. Capital work in progress

The Group's capital work-in-progress as at 31 March 2020 is SR 627.6 million (as at 31 December 2019: SR 530 million) comprises mainly of construction costs related to CO2 plant, Turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

c. Impairment

International Diol Company Cash Generating Unit ("IDC CGU")

Following Covid-19 and a recessionary outlook for the near term, management re-assessed the recoverable amount of IDC CGU during the three months period ended 31 March 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. Therefore, an impairment loss of SR 100 million was recognized in the three months period ended 31 March 2020. This is in addition to the impairment loss of SR 256 million previously recognized in the 2019 financial results and SR 400 million recognised in 2016 financial results.

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

	<u>2020</u>	<u>2019</u>
Discount rate	10%	10%
Terminal Value growth rate	2%	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2024 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.

7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	<u>Note</u>	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2019 (Audited)</u>
Investment in a joint venture		191,018	204,556
Investment in associates	7.1	3,357,946	3,355,123
		<u>3,548,964</u>	<u>3,559,679</u>

7.1. Investment in Associates

	<u>31 March 2020</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2019 (Audited)</u>
Investment in Associates:		
Tasnee and Sahara Olefins Company	3,159,434	3,155,341
Khair Inorganic Chemical Industries Company	198,512	199,782
	<u>3,357,946</u>	<u>3,355,123</u>

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8. INVENTORIES

As at 31 March 2020, the Group wrote down its finished goods inventory by SR 10.9 million (As at 31 March 2019: SR 7.5 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 income statement.

9. ASSETS HELD FOR SALE

The Group, as part of its strategy to remain focused on petrochemical products, is planning to divest a manufacturing facility within "Corporate and others" segment, which has been classified as Held for Sale. Management is committed to complete the sale of this plant within the next twelve months and is in the process of receiving and evaluating commercial bids.

As at 31 March 2020, the held for sale disposal group comprised of SR 209.5 million of non-current assets and SR 1million of net working capital and other current assets. Although the net working capital and other current assets continue to be held at their original carrying values, an impairment loss of SR 180 million writing down the carrying amount of the held for sale non-current assets to their fair value less costs to sell has been included in "other expenses" in the condensed consolidated income statement.

10. LOANS AND BORROWINGS

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Current loans and borrowings		
Shari'a compliant loans	539,496	465,708
Saudi Industrial Development Fund ("SIDF")	360,700	255,722
Public Investment Fund loans ("PIF")	114,583	114,583
	1,014,779	836,013
Advances from non-controlling shareholders	3,500	21,500
Total current loans and borrowings	1,018,279	857,513
Non-current loans and borrowings		
Shari'a compliant loans	5,331,516	5,066,707
Saudi Industrial Development Fund ("SIDF")	128,773	292,665
Public Investment Fund loans ("PIF")	352,329	352,329
	5,812,618	5,711,701
Other non-current loans		
Advances from non-controlling shareholders	74,889	74,474
Islamic Murabaha bonds (SUKUK)	987,581	987,445
Total non-current loans and borrowings	6,875,088	6,773,620
Total loans and borrowings	7,893,367	7,631,133

The loan bears financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the three months period ended 31 March 2020, the Group obtained Sharia' compliant loans amounting to SR 450 million which carries interest at market rates, and repaid an amount of SR 112.1 million relating to Sharia' compliant loans and an amount of SR 94 million relating to SIDF.

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11. FINANCIAL INSTRUMENTS

The Group's principal financial assets include cash and cash equivalents, trade receivable, long term investments 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 2020 (Unaudited)					
<u>Short term investments</u>					
Equity securities	33,794	33,794	33,794	-	-
<u>Long term investments</u>					
Listed mutual fund	59,250	59,250	59,250	-	-
Unlisted mutual fund	113,576	113,576	-	113,576	-
Equity shares	13,372	13,372	13,372	-	-
Total	219,992	219,992	106,416	113,576	-
As at 31 December 2019 (Audited)					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<u>Short term investments</u>					
Equity securities	33,622	33,622	33,622	-	-
<u>Long term investments</u>					
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	-

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12. COMMITMENTS AND CONTINGENCIES

Commitments

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Capital commitments	277,704	144,395

Contingencies

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Letters of guarantee and credit	579,678	810,011

Contingent liabilities

In addition, the Group has no material contingent liabilities as at period ended 31 March 2020 except for those as disclosed in Note 5 to the interim financial statements.

13. 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

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

Transactions with related parties have been disclosed below:

Related party	Nature of transaction	For the three months period ended 31 March 2020 (Unaudited)	For the three months period ended 31 March 2019 (Unaudited)
Helm - Arabia	Sales made to Helm - Arabia	-	169,283
Hanwha	Sales made to Hanwha	125,186	132,565
JAMC	Sales made to JAMC	56,087	39,200
SAMAPCO	Shared service cost charged to SAMAPCO	23,162	-
	Transfer of HOP assets to SAMAPCO	225	-
	Allocation of HOP finance cost to SAMAPCO	2,224	-
Lyondell Basell	Sales made to Lyondell Basell	22,104	-
	Shared services cost charged to Lyondell	7,621	-
	Transfer of HOP assets to Lyondell Basell	68	-
	Allocation of HOP finance cost to Lyondell	450	-
SEPC	Purchase of ethylene by Al-Waha	6,219	-

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13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

i) Trade receivables

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Lyondell Basell and its associates	66,313	178,798
Hanwha Chemical Malaysia Sdn Bhd	86,728	84,890
HELM -Arabia GmbH & Co. KG (Helm -Arabia)	57,415	80,495
Japan Arabia Methanol Company Limited (JAMC)	33,853	10,010
	244,309	354,193

ii) Prepayment and other current assets

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
SAMAPCO	57,437	24,867
Lyondell Basell	-	6,247
	57,437	31,114

iii) Accrued expenses and other expenses

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
SAMAPCO	12,417	21,398
Lyondell Basell	7,643	6,825
	20,060	28,223

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 2020 (Unaudited)	31 March 2019 (Unaudited)
Short-term employee benefits	3,075	2,477
End of service benefits	241	1,016
Thrift plan	107	225
Share based payment transactions	6	6
Total compensation related to key management personnel	3,429	3,724

c) Transfer pricing

On 25 Jumada Al-Awal 1440H corresponding to 31 January 2019G, the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia (KSA) issued Transfer Pricing Bylaws (By-laws). These by-laws were enacted on 15 February 2019 as part of the tax law and became binding on tax payers for periods ending on or after 31 December 2018. The Group has filed necessary documentation to comply with relevant tax law within statutory time limit. (Refer to Note 5).

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

14. OTHER INCOME / (EXPENSES), NET

	Notes	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Other income	14.1	211,796	1,414
Other expenses	14.2	(283,653)	(17,280)
		<u>(71,857)</u>	<u>(15,866)</u>

14.1. Other income

	Notes	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Gain on disposal of precious metals	14.1.1	206,142	-
Others		5,654	1,414
		<u>211,796</u>	<u>1,414</u>

14.1.1. Income of SR 206.1 million (three months period ended 31 March 2019: SR Nil) from gain of sale of certain precious metals used as catalysts in certain plants. The Group has opted to lease such precious metals instead of outright ownership;

14.2. Other expenses

	Notes	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Impairment loss	14.2.1	(280,000)	-
Others		(3,653)	(17,280)
		<u>(283,653)</u>	<u>(17,280)</u>

14.2.1. Loss from impairment of a CGU of SR 100 million (three months period ended 31 March 2019: SR Nil) - for detail refer to note 6. Furthermore, loss from impairment of SR 180 million (three months period ended 31 March 2019: SR Nil) following classification of certain non-current assets as Held for Sale. Refer to note 9.

15. SUBSEQUENT EVENTS

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