

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine month periods ended 30 September 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 AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

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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 30 September 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 30 September 2020;
- the condensed consolidated income statement for the three and nine month periods ended 30 September 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three and nine month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 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 30 September 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: 28 October, 2020
Corresponding to: 11 Rabi Al-Awwal, 1442H

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	13,169,428	13,971,025
Right-of-use assets		61,642	67,608
Intangible assets		376,633	334,113
Investments in a joint venture and associates	7	3,441,571	3,559,679
Long term investments		218,989	229,629
Deferred tax assets		33,949	38,453
Long term prepaid employees' benefits		959,394	1,029,750
Goodwill		630,483	630,483
Other non-current assets		3,508	2,990
Total non-current assets		18,895,597	19,863,730
Current assets			
Inventories	8	910,848	957,467
Trade receivables	13	857,193	842,358
Prepayments and other current assets		261,877	187,540
Short term investments		321,068	348,900
Cash and cash equivalents		2,990,517	1,791,277
		5,341,503	4,127,542
Assets held for sale	9	29,512	-
Total current assets		5,371,015	4,127,542
Total assets		24,266,612	23,991,272
Equity and Liabilities			
Equity attributable to the owners of the Company			
Share capital		7,333,333	7,333,333
Share premium		4,158,660	4,172,667
Treasury shares		(35,551)	(2,062)
Statutory reserve		1,235,350	1,235,350
Other reserves		1,753	(433)
Retained earnings		461,553	603,326
Total owners' equity		13,155,098	13,342,181
Non-controlling interests		824,183	995,819
Total equity		13,979,281	14,338,000
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	10	5,759,304	5,711,701
Sukuk	10	-	987,445
Long term advances from non-controlling shareholders	10	77,297	74,474
Contractual liabilities		153,187	164,246
Lease liabilities		64,669	68,594
Employees' benefits		593,085	522,353
Deferred tax liabilities		53,961	42,712
Decommissioning liability		136,976	131,588
Derivative financial instrument		12,909	10,568
Other non-current liabilities		8,556	8,556
Total non-current liabilities		6,859,944	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 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
<u>Current liabilities</u>			
Current portion of long-term bank loans and borrowings	10	993,616	836,013
Sukuk	10	987,636	-
Short term advances from non-controlling shareholders	10	3,500	21,500
Current portion of contractual liabilities		14,746	14,746
Current portion of lease liabilities		3,101	3,327
Trade and other payables		214,652	187,934
Accrued expenses and other current liabilities		1,017,527	645,454
Zakat and income tax payable	5	192,609	222,061
Total current liabilities		3,427,387	1,931,035
Total liabilities		10,287,331	9,653,272
Total liabilities and equity		24,266,612	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 9 Rabi Al-Awwal, 1442H (corresponding to 26 October 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 16 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 AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	Three months from July to September		Nine months from January to September	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Revenue	3	1,361,943	1,402,020	3,716,273	3,933,044
Cost of sales		(1,141,661)	(1,040,451)	(3,061,954)	(2,677,841)
Gross profit		220,282	361,569	654,319	1,255,203
Selling and distribution expenses		(103,182)	(71,902)	(294,632)	(203,714)
General and administrative expenses		(99,404)	(112,711)	(299,062)	(286,665)
Operating profit		17,696	176,956	60,625	764,824
Share of (loss) / profit from a joint venture and associates		(23,341)	18,827	(84,997)	32,488
Finance income		4,029	35,929	19,316	51,046
Finance cost		(80,880)	(103,169)	(250,864)	(273,972)
Other income and expenses, net	14	80,274	4,334	44,636	(14,200)
(Loss) / profit before Zakat and income tax		(2,222)	132,877	(211,284)	560,186
Zakat and income tax expense		(704)	(25,500)	(57,522)	(79,423)
(Loss) / profit for the period		(2,926)	107,377	(268,806)	480,763
(Loss) / profit attributable to:					
Equity holders of the Company		10,014	111,052	(141,773)	436,631
Non-controlling interests		(12,940)	(3,675)	(127,033)	44,132
Total (loss) / profit for the period		(2,926)	107,377	(268,806)	480,763
Earnings / (loss) per share:					
Basic and diluted earnings / (loss) per share attributable to the equity holders of the Company		0.01	0.15	(0.19)	0.82


Khalid Abdullah Al- Zamil
Chairman of the Board



Saleh Mohammed Bahamdan
Chief Executive Officer



Rushdi Khalid Al-Dulaijan
Vice President, Finance

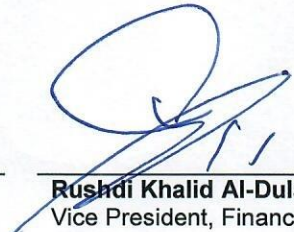
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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Three months from July to September		Nine months from January to September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
(Loss) / profit for the period	(2,926)	107,377	(268,806)	480,763
Other comprehensive income				
Items that will be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	53	(485)	50	367
Changes in fair value of derivative financial instruments designated as hedge	1,735	(1,607)	(2,341)	(6,415)
Items that will not be reclassified to profit or loss in subsequent periods:				
Changes in fair value of financial assets at fair value through other comprehensive income	9,409	377	6,897	6,109
Total other comprehensive income /(loss)	11,197	(1,715)	4,606	61
Total comprehensive income / (loss) for the period	8,271	105,662	(264,200)	480,824
Total comprehensive income / (loss) attributable to:				
Equity holders of the Company	21,211	109,337	(137,167)	436,692
Non-controlling interests	(12,940)	(3,675)	(127,033)	44,132
Total comprehensive income / (loss) for the period	8,271	105,662	(264,200)	480,824


Khalid Abdullah Al- Zamil
Chairman of the Board


Saleh Mohammed Bahamdan
Chief Executive Officer


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 CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	Total	
As at 1 January 2019 (Audited)	3,666,667	-	(6,278)	1,205,397	42,254	1,010,867	5,918,907	7,124,986
Profit for the period (Unaudited)	-	-	-	-	-	436,631	436,631	480,763
Other comprehensive income (Unaudited)	-	-	-	-	61	-	61	61
Total comprehensive income (Unaudited)	-	-	-	-	61	436,631	436,692	480,824
Issued additional share capital (Unaudited)	3,666,666	4,172,667	-	-	-	-	7,839,333	7,839,333
Advances from partners-discounting (Unaudited)	-	-	-	-	-	-	-	(402)
Net change in other reserves (Unaudited)	-	-	-	-	3,186	-	3,186	3,186
Movement in treasury shares, net (Unaudited)	-	-	4,216	-	-	-	4,216	4,216
Dividends (Unaudited)	-	-	-	-	-	(678,334)	(678,334)	(785,631)
As at 30 September 2019 (Unaudited)	7,333,333	4,172,667	(2,062)	1,205,397	45,501	769,164	13,524,000	14,666,512

Attributable to the owners of the Company

	Attributable to the owners of the Company					Non-controlling interest		Total
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total	
As at 1 January 2020 (Audited)	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	13,342,181	14,338,000
Loss for the period (Unaudited)	-	-	-	-	-	(141,773)	(141,773)	(268,806)
Other comprehensive income (Unaudited)	-	-	-	-	4,606	-	4,606	4,606
Total comprehensive income / (loss) (Unaudited)	-	-	-	-	4,606	(141,773)	(137,167)	(264,200)
Additional share capital, net (Unaudited)	-	-	-	-	-	-	-	4,600
Repurchase of treasury shares (Unaudited)	-	(14,007)	(33,489)	-	-	-	(47,496)	(47,496)
Net change in other reserves (Unaudited)	-	-	-	-	(2,420)	-	(2,420)	(2,420)
Dividends (Unaudited)	-	-	-	-	-	-	-	(49,203)
As at 30 September 2020 (Unaudited)	7,333,333	4,158,660	(35,551)	1,235,350	1,753	461,553	13,755,098	13,979,281


Khalid Abdullah Al-Zamil
Chairman of the Board

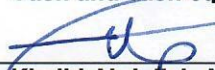

Saleh Mohammed Bahamdan
Chief Executive Officer


Rusdi 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Cash flow from operating activities		
(Loss) / profit before Zakat and income tax for the period	(211,284)	560,186
<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	668,268	557,976
Depreciation of right-of-use assets	3,166	4,618
Impairment loss	280,000	-
Amortization of intangible assets and deferred costs	51,542	69,436
Amortization of contractual liabilities	(11,059)	(5,632)
Gain on precious metal	(311,840)	-
Share of loss / (profit) from a joint venture and associates	84,997	(32,488)
Provision for employees' benefits	63,728	36,705
Loss on property, plant and equipment - written off	-	1,314
Inventories - written off	17,697	6,623
Net foreign exchange difference	(637)	190
Finance income	(19,316)	(51,046)
Finance cost	250,864	273,972
	866,126	1,421,854
Changes in:		
Trade receivables	(14,835)	160,578
Inventories	28,922	14,463
Prepayments and other current assets	(79,579)	66,523
Accrued expenses, trade and other payables	329,249	(207,791)
Proceeds under home ownership program	48,666	33,646
Cash flows from operations	1,178,549	1,489,273
Employee benefits paid	(4,048)	(19,007)
Zakat and income tax paid	(71,219)	(80,028)
Net cash generated from operating activities	1,103,282	1,390,238
Cash flow from investing activities		
Additions to property, plant and equipment	(405,232)	(521,253)
Additions to long term prepaid employees' benefits, net	1,285	(2,012)
Additions to Intangibles	(308)	(1,579)
Movement in long- and short-term investments, net	42,949	1,614
Finance income received	24,558	32,922
Sale proceed from disposal of precious metals	467,541	-
Repayment of advance by SAMAPCO	-	79,320
Dividend received from an associate	32,550	179,025
Net cash generated from / (used) in investing activities	163,343	(231,963)
Cash flow from financing activities		
Proceeds from long term loans and borrowings	1,325,000	1,429,997
Repayment of long-term loans and borrowings	(1,123,456)	(1,340,244)
Net change in advances from non-controlling shareholders	(15,177)	13,935
Movement in treasury shares, net	(33,489)	4,216
Movement in share premium	(14,007)	-
Movement in non-controlling interests	(44,603)	(107,297)
Dividend paid to shareholders	-	(238,333)
Interest paid	(158,099)	(225,137)
Payment of lease liabilities	(4,241)	(6,017)
Net cash generated from / (used) in financing activities	(68,072)	(468,880)
Net change in cash and cash equivalents	1,198,553	689,395
Cash and cash equivalents at 1 January	1,791,277	1,013,514
Cash and cash equivalents due to acquisition of Sahara	-	914,848
Effect of exchange rate fluctuations	687	178
Cash and cash equivalents at 30 September	2,990,517	2,617,935


Khalid Abdullah Al- Zamil
Chairman of the Board


Saleh Mohammed Bahamdan
Chief Executive Officer


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
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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:

On 11th March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Actions taken by governments globally in response to the spread of COVID-19 have resulted in disruption in product demand and a general reduction in commodity prices.

This adverse economic outlook has affected the business activities of Sipchem and its subsidiaries and contributed to a decrease in sales, net income, EBIT, free cash flow and other financial metrics when compared with the corresponding period in 2019.

However, in response to the novel Coronavirus (COVID-19), which has caused global economic disruption, the Group has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts. The changes in geographical distribution of the Sipchem's customer base, compared to previous period has assisted the management to minimize demand and recoverability challenges from Covid-19. Further, measures include optimized spending, which resulted in reducing operational and capital expenditures during the period.

Additionally, the Group has secured additional credit facilities to ensure sufficient funds are available to meet forecasted cash flow requirements and limit any potential financial exposure. Moreover, the management is closely monitoring 1) potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Group's financial and non-financial assets, and 2) long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION (continued)

As of 30 September, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

Subsidiaries	Effective ownership percentage at 30 September	
	2020	2019
Sahara Petrochemicals Company ("Sahara")	100%	100%
International Methanol Company ("IMC")	65%	65%
International Diol Company ("IDC")	53.91%	53.91%
International Acetyl Company ("IAC") (1.1)	89.52%	89.52%
International Vinyl Acetate Company ("IVC") (1.1)	89.52%	89.52%
International Gases Company ("IGC")	97%	97%
Sipchem Marketing Company ("SMC")	100%	100%
Sahara Marketing Company ("SaMC")	100%	100%
International Utility Company ("IUC")	78.20%	78.20%
International Polymers Company ("IPC")	75%	75%
Sipchem Chemical Company ("SCC")	100%	100%
Sipchem Europe Cooperative U.A	100%	100%
Sipchem Europe B.V.	100%	100%
Sipchem Europe SA (Formerly Aectra SA)	100%	100%
Gulf Advance Cable Insulation Company (GACI) (1.2)	50%	50%
Saudi Specialized products Company (SSPC)	75%	75%
Sipchem Asia PTE Ltd. (1.3)	100%	100%
Sipchem Advance Technology Company (1.4)	100%	100%

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

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
(FORMERLY SAUDI INTERNATIONAL PETROCHEMICAL COMPANY)
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 30 September	
	2020	2019
Tasnee and Sahara Olefins Company ("TSOC")	32.55%	32.55%
Saudi Acrylic Acid Company ("SAAC")	43.16%	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	30.00%	30.00%

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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 30 September 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.

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Primary geographic markets		
Foreign countries	2,983,447	3,380,662
Saudi Arabia	732,826	552,382
	3,716,273	3,933,044
Major products/service lines		
Petrochemical products	3,702,797	3,918,312
Product on contract basis - specialized products, tools etc	13,476	14,732
	3,716,273	3,933,044
Timing of revenue recognition		
Product transferred at a point in time	3,702,797	3,918,312
Product transferred over time	13,476	14,732
	3,716,273	3,933,044

ii) Contract balances

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

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Receivables included in trade receivables	856,963	833,362
Contract assets included in trade receivables	230	8,996
Contract liabilities	(167,933)	(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 on satisfaction of performance obligation.

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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 30 September 2020 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
Revenue							
External customers	835,932	948,109	1,531,858	361,055	39,319	-	3,716,273
Inter-segment	351,892	677,224	47,256	2,180,422	-	(3,256,794)	-
Total revenue	1,187,824	1,625,333	1,579,114	2,541,477	39,319	(3,256,794)	3,716,273
Gross profit /(loss)	380,319	(56,477)	231,912	86,184	(6,280)	18,661	654,319
Operating profit/(loss)	180,232	(229,561)	75,204	45,549	(49,716)	38,917	60,625
Share of loss from associates and joint venture	-	-	-	-	(84,997)	-	(84,997)
Profit / (loss) before Zakat and tax	31,026	(160,822)	1,495	44,932	(526,811)	398,896	(211,284)
Total assets	3,617,103	5,456,456	7,279,146	1,137,762	25,371,107	(18,594,962)	24,266,612
Total liabilities	2,244,297	2,366,949	3,403,293	739,056	5,375,272	(3,841,536)	10,287,331
Capital expenditure	76,200	125,749	106,864	336	96,083	-	405,232

Period ended 30 September 2019 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
Revenue							
External customers	1,161,171	1,037,809	1,124,585	484,433	125,046	-	3,933,044
Inter-segment	236,407	590,094	463,750	1,830,725	-	(3,120,976)	-
Total revenue	1,397,578	1,627,903	1,588,335	2,315,158	125,046	(3,120,976)	3,933,044
Gross profit	657,418	78,151	412,782	93,373	(17,184)	30,663	1,255,203
Operating profit/(loss)	454,246	(31,269)	297,110	60,778	(65,059)	49,018	764,824
Share of profits from associates and joint venture	-	-	-	-	32,488	-	32,488
Profit / (loss) before Zakat and tax	404,504	(96,621)	221,337	61,800	(60,886)	30,052	560,186
Total assets	4,192,155	5,920,972	7,906,339	859,236	26,364,282	(19,734,606)	25,508,378
Total liabilities	1,889,164	2,618,123	3,514,898	510,071	5,230,483	(2,920,873)	10,841,866
Capital expenditure	242,433	201,789	29,656	558	48,829	-	523,265

Revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
30 September 2020	732,826	2,983,447	3,716,273
30 September 2019	552,382	3,380,662	3,933,044

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4. SEGMENT INFORMATION (continued)

Revenue by geography and segment

	For the period ended 30 September 2020 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
<i>Revenue:</i>						
Foreign countries	585,760	948,109	1,390,203	21,384	37,991	2,983,447
Saudi Arabia	250,172	-	141,655	339,671	1,328	732,826
Total revenue	835,932	948,109	1,531,858	361,055	39,319	3,716,273
	For the period ended 30 September 2019 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
<i>Revenue:</i>						
Foreign countries	1,078,906	968,270	1,076,152	147,020	110,314	3,380,662
Saudi Arabia	82,265	69,539	48,433	337,413	14,732	552,382
Total revenue	1,161,171	1,037,809	1,124,585	484,433	125,046	3,933,044

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 amount of SR 0.9 million under-protest, and filed appeal on the remaining amount for the consideration of General Authority for Zakat and Tax ("GAZT"). During the nine-month period ended 30 September 2020, GAZT rejected Sipchem's appeal and the case has been escalated to the General Secretariat of Tax Committees ("GSTC"). GSTC review is awaited. Further, during Q3 2020, Sipchem received Zakat assessments for the years 2015 to 2018 with additional Zakat liability of SR 12.4 million. Sipchem is currently reviewing GAZT's assessment.

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. Following multiple appeals, during 2019, GAZT revised assessment and reduced liability to approximately SR 5.2 million. Based on further review, IMC accepted SR 0.68 million of additional Zakat. During the nine-month period ended 30 September 2020, IMC filed an appeal on the remaining amount with GAZT. The timeline of 90 days for GAZT to respond has already elapsed, and the appeal is escalated 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 filed an appeal on remaining liability. GAZT raised a revised assessment with a reduced liability of SR 2.5 million and SSPC filed an appeal on this liability. During the nine-month period ended 30 September 2020, the timeline of 90 days for GAZT to respond has already elapsed, and the appeal is escalated to GSTC. GSTC review is awaited.

Sahara Petrochemicals Company (Sahara)

During the nine-month period ended 30 September 2020, Sahara received an assessment from GAZT with an additional Zakat liability of SR 25.4 million relating to years from 2016 to 2018. Sahara accepted and settled an under-protest amount of SR 2.38 million and filed appeal on remaining amount to GAZT. During Q3 2020, GAZT rejected Sahara's appeal. Sahara has now escalated the matter to GSTC. GSTC review is awaited.

International Vinyl Acetate Company (IVC)

During Q3 2020, IVC received tax and Zakat assessments for the years 2013 and 2014 with a tax, Zakat and delay fine liability of SR 3.6 million. IVC has filed an appeal for GAZT's consideration. GAZT review is awaited.

International Utility Company (IUC)

During Q3 2020, IUC received tax and Zakat assessment for the year 2018 with additional tax, Zakat and delay fine liability of SR 465K. IUC has accepted the assessment under protest and settled the amount.

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5. ZAKAT AND INCOME TAX (CONTINUED)

Gulf Advanced Cable Insulation Company (GACI)

During Q3 2020, GACI received Zakat assessment for the year 2018 with additional Zakat liability of SR 45K. GACI has accepted the assessment under protest and settled the amount.

6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the nine months period ended 30 September 2020, the Group acquired assets with a cost of SR 405.2 million (nine months period ended 30 September 2019: SR 521.3 million).
- During the nine months period ended 30 September 2020, assets with a carrying amount of SR 209.5 million has been reclassified as held for sale. Refer to note 9.
- During the nine months period ended 30 September 2020, gain of SR 311.8 million has been recognized. This is mainly from sale of certain precious metals. (nine months period ended 30 September 2019: SR Nil).
- There were no write offs related to property, plant and equipment during the nine months period ended 30 September 2020 (nine months period ended 30 September 2019: SR 3.7 million).

b. Capital work in progress

The Group's capital work-in-progress as at 30 September 2020 is SR 552 million (as at 31 December 2019: SR 530 million) comprises mainly of costs related to Integration Management Office (IMO) project, 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 nine months period ended 30 September 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 nine months period ended 30 September 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 2025 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's IDC CGU, the recoverable amount was equal to the carrying amount. Therefore, any movement in the key assumptions would cause a change in impairment loss. Furthermore, other CGUs were analyzed by the management considering current situation and recessionary outlook and there is no impairment on other CGUs.

7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	<u>Note</u>	<u>30 September 2020</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2019 (Audited)</u>
Investment in a joint venture		109,819	204,556
Investment in associates	7.1	3,331,752	3,355,123
		3,441,571	3,559,679

7.1. Investment in Associates

	<u>30 September 2020</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2019 (Audited)</u>
Investment in Associates:		
Tasnee and Sahara Olefins Company	3,135,151	3,155,341
Khair Inorganic Chemical Industries Company	196,601	199,782
	3,331,752	3,355,123

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8. INVENTORIES

As at 30 September 2020, the Group wrote down its finished goods inventory by SR 17.7 million (As at 30 September 2019: SR 6.6 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the 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.

During the nine months period ended 30 September 2020, 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. The net working capital and other current assets part of the held-for-sale segment continue to be held at their original carrying values.

10. LOANS AND BORROWINGS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Current loans and borrowings		
Shari'a compliant loans	607,908	465,708
Saudi Industrial Development Fund ("SIDF")	331,500	255,722
Public Investment Fund loans ("PIF")	54,208	114,583
	993,616	836,013
Islamic Murabaha bonds (SUKUK)	987,636	-
Advances from non-controlling shareholders	3,500	21,500
Total current loans and borrowings	1,984,752	857,513
Non-current loans and borrowings		
Shari'a compliant loans	5,302,414	5,066,707
Saudi Industrial Development Fund ("SIDF")	131,665	292,665
Public Investment Fund loans ("PIF")	325,225	352,329
	5,759,304	5,711,701
Other non-current loans		
Advances from non-controlling shareholders	77,297	74,474
Islamic Murabaha bonds (SUKUK)	-	987,445
Total non-current loans and borrowings	5,836,601	6,773,620
Total loans and borrowings	7,821,353	7,631,133

The loan bears financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the nine months period ended 30 September 2020, the Group obtained Sharia' compliant loans amounting to SR 1,325 million which carries interest at market rates, and repaid an amount of SR 1,123.5 million relating to Sharia' compliant loans and PIF.

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:

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11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

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 30 September 2020 (Unaudited)					
<u>Short term investments</u>					
Equity securities	19,989	19,989	19,989	-	-
<u>Long term investments</u>					
Listed mutual fund	68,550	68,550	68,550	-	-
Unlisted mutual fund	114,264	114,264	-	114,264	-
Equity shares	15,922	15,922	15,922	-	-
Total	218,725	218,725	104,461	114,264	-

	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2019 (Audited)					
<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	-

12. COMMITMENTS AND CONTINGENCIES

Commitments

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Capital commitments	306,634	144,395

Contingencies

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Letters of guarantee and credit	586,276	810,011

Contingent liabilities

In addition, the Group has no material contingent liabilities as at period ended 30 September 2020 except for those as disclosed in Note 5 to the condensed consolidated interim financial statements.

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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 nine months period ended 30 September 2020 (Unaudited)	For the nine months period ended 30 September 2019 (Unaudited)
Helm - Arabia	Sales made to Helm - Arabia	-	526,382
Hanwha	Sales made to Hanwha	300,094	412,966
JAMC	Sales made to JAMC	139,379	139,668
SAMAPCO	Shared service cost charged to SAMAPCO	75,161	36,947
	Transfer of HOP assets to SAMAPCO	-	1,322
	Allocation of HOP finance cost to SAMAPCO	2,635	2,172
Lyondell Basell	Sales made to Lyondell Basell	515,921	379,451
	Shared services cost charged to Lyondell	25,270	12,273
	Transfer of HOP assets to Lyondell Basell	31	262
	Allocation of HOP finance cost to Lyondell	640	620
SEPC	Purchase of ethylene by Al-Waha	3,666	23,161
	Purchase of ethylene by IVC	241,329	294,435

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

i) Trade receivables

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Lyondell Basell and its associates	235,828	178,798
Hanwha Chemical Malaysia Sdn Bhd	54,076	84,890
HELM -Arabia GmbH & Co. KG (Helm -Arabia)	59,048	80,495
Japan Arabia Methanol Company Limited (JAMC)	25,666	10,010
	374,618	354,193

ii) Prepayment and other current assets

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
SAMAPCO	101,028	24,867
Lyondell Basell	24,116	6,247
	125,144	31,114

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13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

iii) Accrued expenses and other current liabilities

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Lyondell Basell	46,763	6,825
SAMAPCO	34,584	21,398
Hanwha	5,529	5,192
	86,876	33,415

iv) Trade and other payables

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
SEPC	19,798	30,095
	19,798	30,095

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:

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Short-term employee benefits	9,373	8,054
End of service benefits	1,797	1,644
Thrift plan	469	443
Share based payment transactions	60	55
Total compensation related to key management personnel	11,699	10,196

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.

14. OTHER INCOME AND (EXPENSES), NET

	Notes	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Other income	14.1	344,842	7,178
Other expenses	14.2	(300,206)	(21,378)
		44,636	(14,200)

14.1. Other income

	Notes	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Gain on precious metal	14.1.1	311,840	-
Others		33,002	7,178
		344,842	7,178

14.1.1. Income of SR 311.8 million (nine months period ended 30 September 2019: SR Nil) mainly represents 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.

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14. OTHER INCOME AND (EXPENSES), NET (CONTINUED)

14.2. Other expenses

	Notes	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Impairment loss	14.2.1	(280,000)	-
Others		(20,206)	(21,378)
		(300,206)	(21,378)

14.2.1. Loss from impairment of a CGU of SR 100 million (nine months period ended 30 September 2019: SR Nil) - for detail refer to note 6. Furthermore, loss from impairment of SR 180 million (nine months period ended 30 September 2019: SR Nil) following classification of certain non-current assets as Held for Sale. Refer to note 9.

15. EARNINGS PER SHARE

The calculation of Earnings per share has been based on the following profit attributable to the equity holders of the Company and weighted average number of ordinary shares outstanding:

	Three months from July to September		Nine months from January to September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
(Loss) / profit attributable to the equity holders of the Company	10,014	111,052	(141,773)	436,631
Weighted average number of ordinary shares outstanding during the period	729,778	733,127	729,778	529,424
Basic and diluted (loss) / earnings per share attributable to the equity holders of the	0.01	0.15	(0.19)	0.82

16. SUBSEQUENT EVENTS

No adjusting event occurred between 30 September 2020 and the date of authorization of interim financial statements by Board of Directors which may have an impact on these interim financial statements.

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