BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditor's report to the shareholders of Basic Chemical Industries Company

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matter	• Impairment assessments of non-current assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

PricewaterhouseCoopers, License No. 25,
Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (13) 849-6311, F: +966 (13) 849-6281, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Our audit approach

Overview (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment assessments of non-current assets	
As at 31 December 2020, the Group has non-current assets of Saudi Riyals 583.9 million, net of impairment losses of Saudi Riyals 6.1 million. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount of non-current assets may not be recoverable. If any impairment indicators are identified, management performs a detailed impairment assessment by calculating the recoverable amounts of non-current assets of the related Cash-Generating Units (the "CGUs") and comparing them against their carrying amounts. In determining the recoverable amounts, management estimated the value-in-use of the non-current assets related to certain CGUs of the Group (where impairment indicators had been identified), based on the business plans as approved by the Group's Board of Directors which reflect management's view of the external market conditions and certain key internal variables including estimation of appropriate growth and discount rates.	Our audit procedures included the following: • Assessed the reasonableness of management's identification of the Group's CGUs. • Evaluated management's assessment of the identification of impairment indicators, including the conclusions reached. • Evaluated the design and implementation of key controls over the impairment assessment process including identification of impairment indicators and estimation of recoverable amounts. • Evaluated the reasonableness of management's assumptions used in the value-in-use workings to determine the recoverable amounts of non-current assets related to the Group's CGUs. This included: (i) Assessing the appropriateness of the methodology and accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models;

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Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Our audit approach (continued)

Overview (continued)

Key audit matter	How our audit addressed the Key audit matter
Specific assets, or the CGUs to which the assets belong, where we focused our procedures included the following: a. Basic Chemicals National Company Management determined that the recoverable amount of the CGU, computed using the value-in-use model, was approximately equal to the carrying value resulting in no impairment loss or reversal of a previously recognized impairment loss as at 31 December 2020. b. Saudi Water Treatment Company Management determined that the recoverable amount of the CGU, computed using the value-in-use model, was lower than the carrying value and accordingly, an impairment loss of Saudi Riyals 3.4 million has been recorded in the consolidated financial statements. We considered this as a key audit matter as the assessments of recoverable amounts of the non-current assets require significant estimations and judgments including product pricing, future economic and market conditions, growth and discount rates. Refer to Note 2.6 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of non-current assets, Note 4 to the accompanying consolidated financial statements for the disclosure of critical estimates and judgments and Note 11.1 to the accompanying consolidated financial statements for disclosure of other matters related to impairment of non-current assets.	(ii) Testing the reasonableness of discount and growth rates used in such discounted cash flow models. Our internal valuation experts were engaged to assist us to assess the reasonableness of the discount and growth rates used; (iii) Performing sensitivity analyses over key assumptions in the calculation of the values-in-use in order to assess the potential impact of a range of possible outcomes. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2020 Board of Directors' report, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Other information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2020 Board of Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

30 March 2021

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BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Revenue	6	**500,239,748**	534,561,496
Cost of sales	7	**(368,941,852)**	(400,022,894)
Gross profit		**131,297,896**	134,538,602
Selling and distribution expenses	8	**(44,581,873)**	(46,603,009)
General and administrative expenses	9	**(22,247,485)**	(23,452,296)
Other operating income - net		**3,056,213**	4,714,695
Operating profit		**67,524,751**	69,197,992
Finance costs	12	**(136,862)**	(159,441)
Profit before zakat and income tax		**67,387,889**	69,038,551
Zakat expense	21	**(4,210,340)**	(5,241,490)
Income tax expense	21	**(4,887,701)**	(4,411,389)
Profit for the year		**58,289,848**	59,385,672
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	19	**(1,801,818)**	1,585,816
Total comprehensive income for the year		**56,488,030**	60,971,488
Profit for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		**38,624,635**	41,221,284
Non-controlling interests		**19,665,213**	18,164,388
		58,289,848	59,385,672
Total comprehensive income for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		**37,059,441**	42,953,494
Non-controlling interests		**19,428,589**	18,017,994
		56,488,030	60,971,488
Earnings per share			
Basic and diluted	25	**1.40**	1.50

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 30 March 2021 and were signed on their behalf by:

Abdullatif Abdulhadi	**Alaa Al-Shaikh**	**Ashraf Bahnacy**
Designated Member	**Chief Executive Officer**	**Finance Manager**

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	11	**565,497,879**	422,194,976
Right-of-use assets	12	**18,465,885**	3,516,320
Total non-current assets		**583,963,764**	425,711,296
Current assets			
Inventories	13	**77,390,500**	85,950,400
Trade and other receivables	14	**118,331,883**	164,940,297
Cash and cash equivalents	15	**84,447,626**	79,749,958
Total current assets		**280,170,009**	330,640,655
Total assets		**864,133,773**	756,351,951
Equity and liabilities			
Equity			
Share capital	17	**275,000,000**	275,000,000
Statutory reserve	18	**66,022,133**	62,159,669
Retained earnings		**218,729,589**	213,032,612
Equity attributable to the shareholders of Basic Chemical Industries Company		**559,751,722**	550,192,281
Non-controlling interests	10	**63,547,133**	70,618,544
Total equity		**623,298,855**	620,810,825
Liabilities			
Non-current liabilities			
Long-term borrowings	16	**18,500,000**	15,000,000
Lease liabilities	12	**16,576,577**	2,294,022
Employee benefit obligations	19	**31,138,971**	28,724,961
Total non-current liabilities		**66,215,548**	46,018,983
Current liabilities			
Trade and other payables	20	**99,903,640**	82,198,212
Current portion of lease liabilities	12	**2,671,625**	859,710
Current portion of long-term borrowings	16	**67,065,944**	-
Zakat and income tax payable	21	**4,978,161**	6,464,221
Total current liabilities		**174,619,370**	89,522,143
Total liabilities		**240,834,918**	135,541,126
Total equity and liabilities		**864,133,773**	756,351,951

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Abdullatif Abdulhadi **Designated Member**	**Alaa Al-Shaikh** **Chief Executive Officer**	**Ashraf Bahnacy** **Finance Manager**

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

		Attributable to the shareholders of Basic Chemical Industries Company					
	Note	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2019		275,000,000	58,037,541	174,201,246	507,238,787	78,500,550	585,739,337
Profit for the year		-	-	41,221,284	41,221,284	18,164,388	59,385,672
Other comprehensive income (loss) for the year		-	-	1,732,210	1,732,210	(146,394)	1,585,816
Total comprehensive income for the year		-	-	42,953,494	42,953,494	18,017,994	60,971,488
Transfer to statutory reserve	18	-	4,122,128	(4,122,128)	-	-	-
Dividends		-	-	-	-	(25,900,000)	(25,900,000)
At 31 December 2019		275,000,000	62,159,669	213,032,612	550,192,281	70,618,544	620,810,825
At 1 January 2020		**275,000,000**	**62,159,669**	**213,032,612**	**550,192,281**	**70,618,544**	**620,810,825**
Profit for the year		-	-	38,624,635	38,624,635	19,665,213	**58,289,848**
Other comprehensive loss for the year		-	-	(1,565,194)	(1,565,194)	(236,624)	**(1,801,818)**
Total comprehensive income for the year		-	-	37,059,441	37,059,441	19,428,589	**56,488,030**
Transfer to statutory reserve	18	-	3,862,464	(3,862,464)	-	-	-
Dividends	26	-	-	(27,500,000)	(27,500,000)	(26,500,000)	**(54,000,000)**
At 31 December 2020		**275,000,000**	**66,022,133**	**218,729,589**	**559,751,722**	**63,547,133**	**623,298,855**

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 30 March 2021 and were signed on their behalf by:

Abdullatif Abdulhadi
Designated Member

Alaa Al-Shaikh
Chief Executive Officer

Ashraf Bahnacy
Finance Manager

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Profit before zakat and income tax		**67,387,889**	69,038,551
Adjustments for:			
Depreciation	11,12	**28,078,973**	28,346,330
Impairment losses on property, plant and equipment	11	**3,390,051**	-
Gain on disposal of property and equipment		**(97,689)**	(253,147)
Finance costs	12	**136,862**	159,441
Provision for employee benefit obligations	19	**3,280,406**	3,724,895
Loss on termination of a lease	12	**19,966**	-
Changes in operating assets and liabilities:			
Decrease in inventories		**8,559,900**	6,930,174
Decrease (increase) in trade and other receivables		**45,997,543**	(3,332,890)
Increase in trade and other payables		**17,705,428**	10,889,516
Cash generated from operations		**174,459,329**	115,502,870
Finance costs paid		**(758,143)**	(159,441)
Employee benefit obligations paid	19	**(2,668,214)**	(2,790,815)
Zakat and income tax paid	21	**(9,973,230)**	(11,107,292)
Net cash inflow from operating activities		**161,059,742**	101,445,322
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	11	**(170,706,433)**	(117,279,309)
Proceeds from disposal of property and equipment		**300,912**	344,413
Net cash outflow from investing activities		**(170,405,521)**	(116,934,896)
Cash flows from financing activities			
Proceeds from borrowings	16	**69,000,000**	15,000,000
Principal elements of lease payments		**(956,553)**	(755,774)
Dividends paid to the Company's shareholders	26	**(27,500,000)**	-
Dividends paid to non-controlling interests in subsidiaries		**(26,500,000)**	(25,900,000)
Net cash inflow (outflow) from financing activities		**14,043,447**	(11,655,774)
Net change in cash and cash equivalents		**4,697,668**	(27,145,348)
Cash and cash equivalents at beginning of the year		**79,749,958**	106,895,306
Cash and cash equivalents at end of the year	15	**84,447,626**	79,749,958
Non-cash operating, investing and financing activities:			
Right-of-use assets recorded against lease liabilities	12	**280,463**	3,909,506
Finance costs capitalized	11,12	**2,780,693**	-
Depreciation expense on right-of-use assets capitalized	12	**539,236**	-
Prepaid lease rentals transferred to right-of-use assets		-	473,333

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 30 March 2021 and was signed on their behalf by:

Abdullatif Abdulhadi
Designated Member

Alaa Al-Shaikh
Chief Executive Officer

Ashraf Bahnacy
Finance Manager

The accompanying notes are an integral part of these consolidated financial statements.

1 General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as listed in Note 10. The Group is principally engaged in the manufacturing of various chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as an agent for the sale of chemicals.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392H (2 February 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

Emergence of the Novel Coronavirus Pandemic ("COVID-19") - Overview of financial impact

In response to the spread of the COVID-19 and its consequential disruption to the social and economic activities, the Group's management has assessed its impact on its operations and has taken a series of proactive and preventative measures to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating; and
- minimizing the impact of the pandemic on its operations and product supply to the customers.

The Group management is closely monitoring the situation as it evolves, and key information has been outlined on the broad dimensions as below:

Impact on the continuity of supply chain and working capital management

Various bans and constraints were imposed by the relevant authorities in the Kingdom of Saudi Arabia. However, the Group business activities remained largely uninterrupted and the management was successful in maintaining stable operations while maneuvering limited demand interruptions to maintain product flow to the markets as well as ensuring uninterrupted construction for the ongoing project for chlorine derivatives in Jubail (the "New Project") . The Group management will continue to monitor the impact and update its future business plans, if required, as the situation continues to evolve.

Liquidity and working capital are being monitored regularly, considering the requirements of regular business activities and on-going construction of the New Project. Also see Notes 11 and 16.

Impact on expenses

The Group continues to retain its staff and pay out salaries and other employee benefits in the normal course of business. Government grants have been received towards the salaries of certain Saudi Arabian Nationals for a period of six months amounting to Saudi Riyals 1.0 million. These are accounted for by crediting the staff costs towards which the grants are received. Other expenses did not have any significant variations as a result of the pandemic.

Impact on trade receivables and other financial assets

As at 31 December 2020, management has updated their expected credit loss allowance models for historical payment profiles and relevant forward-looking information. Furthermore, customers' credit quality is also being closely monitored for any objective evidence of impairment. During the year ended 31 December 2020, the Group continued to make collections against its trade receivables in the normal course of business and no significant impact was noted. Also see Note 14.

Accounting policies, estimates and financial reporting process

The Group continues to apply its accounting policies consistently without deviation. Considering that the impact on the business is limited, management also continues to adopt a consistent approach to the use of estimates in preparation of these consolidated financial statements. Also see Note 4.

The accompanying consolidated financial statements include the accounts of the Company, its branches and its various Saudi Arabian subsidiaries, operating under individual CR. Also, see Note 10.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of consolidated financial statements of the Group are set out below. The accounting policies have been consistently applied to all the years presented.

2.1 Basis of preparation

(i) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

(ii) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except for the following as explained in the relevant accounting policies:

a) Right-of-use assets and related lease liabilities
b) Employee benefit obligations.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their reporting period commencing on or after 1 January 2020.

- Definition of Material - amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Definition of a Business - amendments to IFRS 3 'Business Combinations';
- Interest Rate Benchmark Reform - amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'; and
- Revised Conceptual Framework for Financial Reporting.

No material impact was identified upon adoption of the new and amended standards.

(iv) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2021 or later reporting periods and have not been early adopted by the Group. Such standards are not expected to have a material impact in the future reporting periods and on foreseeable future transactions.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in "Saudi Riyals", which is the Group's presentation as well as functional currency of all entities.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.3 Basis of consolidation and equity accounting

(a) Subsidiaries

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, 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 with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests 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 between 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 interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained; and
- Recognises any surplus or deficit in profit or loss.

Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Group expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.5 Financial instruments

2.5.1 Financial assets

(i) Classification

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented under "General and administrative expenses" in the profit or loss.

(iii) Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Also see Note 23.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments' ("IFRS 9"), which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

2.5.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.5.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Inventories

Raw materials and consumable spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Notes 2.5 and 14. Subsequent recoveries of amounts previously written-off are credited in profit or loss against "General and administrative expenses".

2.9 Cash and cash equivalents

Cash is cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a maturity of three months or less from the date of acquisition.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.12 Borrowings

Borrowings are initially recognized at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are charged to profit or loss in the period in which they are incurred.

2.14 Employee benefit obligations

The Group operates a single employment benefit scheme of defined benefit plan driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Laws of Kingdom of Saudi Arabia. The Group has no further payment obligations once the contributions have been paid.

2.15 Revenue from contracts with customers

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognizes revenue from the sale of goods when control of the goods is transferred to the customer, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group's contracts with customers for the sale of goods include one performance obligation i.e. to deliver goods to the customer. Revenue is recognized at a point in time upon satisfaction of such performance obligation.

2.16 Leases

At inception of a contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16.1 Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2.16.2 Right-of-use assets

The Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.17 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the “GAZT”). Zakat, for the Company and its subsidiaries, is calculated based on approximate zakat base and adjusted profit and is charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilites attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer who is the Chief Operating Decision Maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss. Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

2.20 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period.

3 Fair value of assets and liabilities

As at 31 December 2020 and 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position. The fair value of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Expected credit loss ("ECL") model measurement

Measurement of ECL is an estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 14. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Impairment assessment of property, plant and equipment

The Group's management, in accordance with the Group's accounting policy, tests assets or CGU for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of Group's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, worse than expected.

The Group's management determines the recoverable amounts of CGUs based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group. Also see Note 11.1.

(All amounts in Saudi Riyals unless otherwise stated)

5 Segment information

The Group's operations are principally organized into the following two business segments based on its products:

- Chemicals: this part of the business manufactures and sells industrial chemicals such as hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite, polyurethane chemicals etc. used in multiple industries.

- Adhesives and other materials: this part of the business manufactures and sells ferric chloride, hot and colt melt adhesives, sulfuric acid etc. used in multiple industries.

Selected financial information as of 31 December 2020 and 2019 and for the years then ended, summarized by the above operating segments, is as follow.

2020	**Chemicals**	**Adhesives and other materials**	**Total**
Revenue	274,523,106	225,716,642	**500,239,748**
Cost of sales	(211,781,747)	(157,160,105)	**(368,941,852)**
Gross profit	62,741,359	68,556,537	**131,297,896**
Selling and distribution expenses	(22,995,212)	(21,586,661)	**(44,581,873)**
General and administrative expenses	(20,686,393)	(1,561,092)	**(22,247,485)**
Other operating income - net	2,588,871	467,342	**3,056,213**
Operating profit	21,648,625	45,876,126	**67,524,751**
Finance costs	(117,131)	(19,731)	**(136,862)**
Profit before zakat and income tax	21,531,494	45,856,395	**67,387,889**
Zakat expense	(2,454,664)	(1,755,676)	**(4,210,340)**
Income tax expense	(610,871)	(4,276,830)	**(4,887,701)**
Profit for the year	18,465,959	39,823,889	**58,289,848**
Depreciation expense	22,724,905	5,354,068	**28,078,973**
Total assets	709,989,573	154,144,200	**864,133,773**
Total liabilities	204,700,828	36,134,090	**240,834,918**
Property, plant and equipment	539,135,576	26,362,303	**565,497,879**
Additions to property, plant and equipment	172,105,301	1,921,061	**174,026,362**

(All amounts in Saudi Riyals unless otherwise stated)

2019	**Chemicals**	**Adhesives and other materials**	**Total**
Revenue	284,101,113	250,460,383	534,561,496
Cost of sales	(220,358,605)	(179,664,289)	(400,022,894)
Gross profit	63,742,508	70,796,094	134,538,602
Selling and distribution expenses	(25,670,248)	(20,932,761)	(46,603,009)
General and administrative expenses	(20,844,712)	(2,607,584)	(23,452,296)
Other operating income - net	5,711,586	(996,891)	4,714,695
Operating profit	22,939,134	46,258,858	69,197,992
Finance costs	(149,950)	(9,491)	(159,441)
Profit before zakat and income tax	22,789,184	46,249,367	69,038,551
Zakat expense	(3,447,302)	(1,794,188)	(5,241,490)
Income tax expense	(210,074)	(4,201,315)	(4,411,389)
Profit for the year	19,131,808	40,253,864	59,385,672
Depreciation	23,005,942	5,340,388	28,346,330
Total assets	576,504,003	179,847,948	756,351,951
Total liabilities	92,982,235	42,558,891	135,541,126
Property, plant and equipment	389,143,642	33,051,334	422,194,976
Additions to property, plant and equipment	115,146,970	2,132,339	117,279,309

Chemicals: Revenues of approximately 26% are derived from two external customers (2019: 30% of revenue are derived from two external customers).

Adhesives and other materials: Revenues of approximately 23% are derived from one external customer (2019: 31% of revenue are derived from three external customers).

6 Revenue

The Group principally derives revenue from the delivery of goods at a point in time as follows:

	2020	**2019**
Local sales	**397,336,070**	413,000,946
Export sales	**102,903,678**	121,560,550
	500,239,748	534,561,496

7 Cost of sales

	Note	**2020**	**2019**
Cost of materials		**286,514,807**	314,940,956
Salaries and benefits		**25,914,642**	27,720,028
Depreciation	11,12	**24,596,641**	24,673,431
Power		**16,276,493**	18,899,274
Repair and maintenance		**6,312,375**	8,634,947
Impairment losses on property, plant and equipment	11	**3,390,051**	-
Other		**5,936,843**	5,154,258
		368,941,852	400,022,894

(All amounts in Saudi Riyals unless otherwise stated)

8 Selling and distribution expenses

	Note	2020	2019
Salaries and benefits		**16,646,227**	18,109,230
Transportation		**11,731,087**	9,897,344
Royalty	22	**7,358,471**	7,945,790
Depreciation	11,12	**2,182,468**	2,108,400
Travelling		**1,641,104**	1,576,507
Repair and maintenance		**1,557,690**	1,857,651
Commission		**1,280,000**	1,500,000
Insurance		**514,300**	546,447
Utilities		**341,743**	375,139
Other		**1,328,783**	2,686,501
		44,581,873	46,603,009

9 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**13,471,130**	15,543,342
Board of directors' fees	22	**2,100,000**	1,866,964
Professional fees		**1,748,658**	1,491,937
Depreciation	11	**1,299,864**	1,564,501
Visa and related charges		**628,160**	1,267,735
Travelling		**548,416**	1,053,013
Utilities		**501,651**	449,387
Repair and maintenance		**469,322**	508,303
Insurance		**349,644**	372,070
Reversal of expected credit loss allowance	14	**(1,021,062)**	(3,007,067)
Other		**2,151,702**	2,342,111
		22,247,485	23,452,296

10 Interests in other entities

(a) Investment in subsidiaries

	Country of incorporation	Effective ownership percentage		Principal activities
		2020	**2019**	
Basic Chemicals National Company Limited ("BCNC")	**Saudi Arabia**	**100%**	100%	Manufacture and sale of chemicals
Chemical Marketing and Distribution Company Limited ("CMDC")	**Saudi Arabia**	**100%**	100%	Wholesale and retail of chemicals
Saudi Water Treatment Company ("SWTC")	**Saudi Arabia**	**100%**	100%	Manufacture and sale of chemicals
Huntsman APC ("HAPC")	**Saudi Arabia**	**49%**	49%	Manufacture and sale of chemicals
National Adhesives Company Limited ("NAL")	**Saudi Arabia**	**47%**	47%	Manufacture and sale of chemicals

(All amounts in Saudi Riyals unless otherwise stated)

The Company has consolidated the accounts of HAPC and NAL in the accompanying consolidated financial statements as a parent company by virtue of respective shareholders' agreements. Pursuant to such agreements:

- BCI appoints its representative as Chief Executive Officer for both HAPC and NAL for managing day to day operations; and
- BCI's representative(s) on the Board of Directors have the power to direct all key relevant business activities as a result of the voting arrangements under the terms of these agreements.

Accordingly, the Company has the right to exercise control through its ability to affect the amount of returns generated from these companies, its power over these companies and its exposure and right to the variable returns.

Summarised financial information for subsidiaries that have non-controlling interests i.e. NAL and HAPC is as follows:

(i) Summarised financial position

	HAPC		NAL	
	2020	**2019**	**2020**	**2019**
Current assets	**67,988,489**	60,594,406	**110,554,649**	130,500,773
Current liabilities	**(14,345,494)**	(11,354,224)	**(27,459,890)**	(33,799,908)
Net current assets	**53,642,995**	49,240,182	**83,094,759**	96,700,865
Non-current assets	**3,345,047**	3,973,577	**9,517,836**	10,578,258
Non-current liabilities	**(1,689,571)**	(1,809,110)	**(4,443,390)**	(4,209,405)
Net non-current assets	**1,655,476**	2,164,467	**5,074,446**	6,368,853
Net assets	**55,298,471**	51,404,649	**88,169,205**	103,069,718
Accumulated NCI	**26,068,458**	23,925,121	**37,478,675**	46,693,423

(ii) Summarised statement of profit or loss and other comprehensive income

	HAPC		NAL	
	2020	**2019**	**2020**	**2019**
Revenue	**70,570,876**	75,023,715	**205,987,112**	228,228,356
Profit for the year	**3,963,567**	2,965,910	**35,478,835**	33,214,704
Other comprehensive (loss) income	**(69,745)**	(402,223)	**(379,348)**	110,830
Total comprehensive income	**3,893,822**	2,563,687	**35,099,487**	33,325,534
Profit allocated to NCI	**2,178,907**	1,805,944	**17,486,306**	16,358,444

(All amounts in Saudi Riyals unless otherwise stated)

(iii) Summarised statement of cash flows

	HAPC		NAL	
	2020	**2019**	**2020**	**2019**
Cash flows from operating activities	**22,250,025**	17,380,483	**36,726,559**	42,027,061
Cash flows from investing activities	**(118,401)**	(32,105)	**(970,595)**	(1,154,392)
Cash flows from financing activities	**(307,291)**	(30,294,075)	**(50,133,051)**	(20,127,328)
Net change cash and cash equivalents	**21,824,333**	(12,945,697)	**(14,377,087)**	20,745,341

(b) Investment in an associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR number 56892 issued on 12 Ramadan 1433 H (31 July 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

During 2017, the Group recorded an impairment write-down on such investment equal to its carrying value amounting to Saudi Riyals 0.4 million. The Group has no obligation to provide any financial support to the associate beyond its investment amount. Accordingly, management has not recognized any share of loss during 2020 and 2019.

The unrecognized share of loss from investment in Mars-CMDC, as of 31 December 2020 was Saudi Riyals 0.4 million (2019: Saudi Riyals 0.3 million).

(All amounts in Saudi Riyals unless otherwise stated)

11 Property, plant and equipment

	1 January	Additions	Disposals	Impairment losses	Transfers	31 December
2020						
Cost						
Land	2,824,561	-	-	-	-	**2,824,561**
Buildings and leasehold improvements	104,118,095	525,304	-	-	-	**104,643,399**
Plant and machinery	423,557,640	3,248,423	-	-	16,243,542	**443,049,605**
Furniture, fixtures and office equipment	27,163,787	440,206	-	-	-	**27,603,993**
Vehicles	31,991,847	3,314,001	(1,429,423)	-	-	**33,876,425**
Capital work-in-progress	318,867,123	166,498,428	-	-	(16,243,542)	**469,122,009**
	908,523,053	174,026,362	(1,429,423)	-	-	**1,081,119,992**
Accumulated depreciation and impairment						
Buildings and leasehold improvements	(72,154,203)	(3,475,298)	-	(141,891)	-	**(75,771,392)**
Plant and machinery	(360,642,366)	(21,640,849)	-	(3,248,160)	-	**(385,531,375)**
Furniture, fixtures and office equipment	(25,701,313)	(463,246)	-	-	-	**(26,164,559)**
Vehicles	(27,830,195)	(1,550,792)	1,226,200	-	-	**(28,154,787)**
	(486,328,077)	(27,130,185)	1,226,200	(3,390,051)	-	**(515,622,113)**
Net book value	422,194,976					**565,497,879**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

	1 January	Additions	Disposals	Transfers	31 December
2019					
Cost					
Land	2,824,561	-	-	-	2,824,561
Buildings and leasehold improvements	101,736,605	2,381,490	-	-	104,118,095
Plant and machinery	419,393,399	3,514,899	-	649,342	423,557,640
Furniture, fixtures and office equipment	26,624,049	539,738	-	-	27,163,787
Vehicles	32,694,938	1,214,761	(1,917,852)	-	31,991,847
Capital work-in-progress	209,888,044	109,628,421	-	(649,342)	318,867,123
	793,161,596	117,279,309	(1,917,852)	-	908,523,053
Accumulated depreciation and impairment					
Buildings and leasehold improvements	(68,815,597)	(3,338,606)	-	-	(72,154,203)
Plant and machinery	(338,627,765)	(22,014,601)	-	-	(360,642,366)
Furniture, fixtures and office equipment	(25,086,943)	(614,370)	-	-	(25,701,313)
Vehicles	(28,144,547)	(1,512,234)	1,826,586	-	(27,830,195)
	(460,674,852)	(27,479,811)	1,826,586	-	(486,328,077)
Net book value	332,486,744				422,194,976

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

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15 - 20
• Furniture, fixtures and office equipment	3 - 5
• Vehicles	4 - 7

(All amounts in Saudi Riyals unless otherwise stated)

The Group's capital-work-in-progress as at 31 December 2020 principally comprises the following:

- Costs incurred amounting to Saudi Riyals 450.4 million (31 December 2019: Saudi Riyals 281.0 million) on a new plant for chlorine-based derivatives in Jubail. Such balance represents capital expenditure under different arrangements entered for procurement of plant and machinery, engineering services, civil and construction work and other related items. The project is expected to be completed by 2021 with a total estimated cost of Saudi Riyals 685.0 million. Also see Notes 12 and 16.

- Costs incurred amounting to Saudi Riyals 13.3 million in respect of construction of an administrative block at Dammam head office. The building is expected to be completed in 2021 with a total estimated cost of Saudi Riyals 19.4 million.

Buildings and plant facilities of BCNC are also constructed on plots of land leased under a renewable lease agreement at annual rent from the Royal Commission for Jubail and Yanbu for 25 Hijri years beginning from 17 Shaban 1422 H (3 November 2001).

11.1 Impairment loss

As at 31 December 2020, the Group management identified certain impairment indicators on property, plant and equipment under Saudi Water Treatment Company ("SWTC"), which is considered as a separate CGU by the Group.

Based on the value-in-use workings, the Group management determined that the recoverable amount of such non-current assets was lower than the carrying value as at 31 December 2020. Accordingly, an impairment loss of Saudi Riyals 3.4 million was recognized in the profit or loss.

The carrying amounts, recoverable values and resultant impairment losses as at 31 December 2020 are as follows:

CGU and class of asset	Carrying value	Recoverable amount (value in use)	Impairment losses
SWTC			
Buildings	600,713	458,822	141,891
Plant and machinery	13,746,219	10,498,059	3,248,160
Furniture, fixtures and office equipment	5,273	5,273	-
	14,352,205	**10,962,154**	**3,390,051**

(All amounts in Saudi Riyals unless otherwise stated)

The key estimates used by the Group's management for the value in use calculations were as follows:

- Projected cash flows using approved five-year business plans;
- The discount rate used was approximately 10% based on weighted average cost of capital; and
- A consistent growth rate considered to project certain cashflows beyond the period covered by the five-year business plan.

Management has performed a sensitivity analysis around the discount rate estimate and believes that a 1% increase in the discount rate will result in an additional impairment loss of Saudi Riyals 0.6 million.

12 Leases

This note provides information for leases where the Group is a lessee.

i) Amounts recognised in the consolidated statement of financial position

2020 **Right-of-use assets**	**1 January**	**Additions**	**Adjustments**	**Depreciation**	**31 December**
Warehouse	1,897,462	-	-	(464,681)	**1,432,781**
Office space	1,399,559	-	(58,648)	(350,077)	**990,834**
Accommodation	137,581	-	-	(31,749)	**105,832**
Land	81,718	16,177,092	319,145	(641,517)	**15,936,438**
	3,516,320	16,177,092	260,497	(1,488,024)	**18,465,885**

2019 **Right-of-use assets**	**1 January**	**Additions**	**Adjustments**	**Depreciation**	**31 December**
Warehouse	2,362,143	-	-	(464,681)	1,897,462
Office space	1,749,636	-	-	(350,077)	1,399,559
Accommodation	169,330	-	-	(31,749)	137,581
Land	101,730	-	-	(20,012)	81,718
	4,382,839	-	-	(866,519)	3,516,320

Lease liabilities	**2020**	**2019**
As at 1 January	**3,153,732**	3,909,506
Additions	**16,177,092**	-
Adjustments	**280,463**	-
Repayments	**(1,093,415)**	(915,215)
Finance costs	**730,330**	159,441
As at 31 December	**19,248,202**	3,153,732

Lease liabilities are presented as follows:

Non-current portion of lease liabilities	**16,576,577**	2,294,022
Current portion of lease liabilities	**2,671,625**	859,710
	19,248,202	3,153,732

(All amounts in Saudi Riyals unless otherwise stated)

During the year ended 31 December 2020, the Group entered into a renewable lease agreement with Royal Commission for Jubail and Yanbu to lease land for the Group's new project site in Jubail. The lease term is 30 Hijri years beginning from 21 Jumada Al Thani 1441H (16 February 2020) and carries an extension option for additional ten Hijri years.

Depreciation on right-of-use asset relating to such leased land and finance costs on the corresponding lease liability for the year ended 31 December 2020 has been capitalized to capital-work-in-progress. Also see Note 11.

Adjustments to lease liabilities have been made as a result of change in present value of future lease payments arising from lease modifications or terminations and corresponding impact has been recorded against right-of-use assets.

During the year ended 31 December 2020, the incremental borrowing rate used by the Group for additions to lease liabilities and right-of-use assets was 3.67%.

ii) Amounts recognised in the consolidated statement of profit and loss and other comprehensive income

The statement of profit or loss shows the following amounts relating to leases in addition to depreciation on right-of-use assets and finance costs on lease liabilities which have been separately disclosed:

Expenses relating to short-term leases	**1,609,219**	1,750,731

The total cash outflow for leases in 2019 and 2020 was Saudi Riyals 1.0 million.

Additional information about the Group's leasing activities

Rental contracts are typically made for fixed periods but may have extension options as explained in the summary of the accounting policies. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Short term lease includes leases that has a lease term of 12 months or less without any purchase option.

13 Inventories

	2020	**2019**
Raw materials	**58,698,570**	65,213,423
Finished products	**15,568,530**	13,422,853
Spare parts and supplies not held for sale	**16,885,255**	16,597,340
Goods-in-transit	**700,044**	2,577,823
Other	**974,334**	1,005,561
	92,826,733	98,817,000
Less: provision for inventory obsolescence	**(15,436,233)**	(12,866,600)
	77,390,500	85,950,400

Movement in provision for inventory obsolescence is as follows:

	2020	**2019**
As at 1 January	**12,866,600**	14,305,963
Additions	**3,299,586**	676,811
Write-offs	**(729,953)**	(2,116,174)
As at 31 December	**15,436,233**	12,866,600

(All amounts in Saudi Riyals unless otherwise stated)

14 Trade and other receivables

	Note	2020	2019
Trade receivables - Third parties		**114,323,696**	147,731,601
- Related parties	22(c)	**2,545,260**	4,720,789
		116,868,956	152,452,390
Less: allowance for expected credit losses		**(11,542,696)**	(12,575,871)
Net trade receivables		**105,326,260**	139,876,519
Advances to suppliers		**5,391,182**	5,594,100
Prepaid expenses		**2,308,053**	4,210,717
Due from employees		**2,084,409**	1,535,472
Advance income tax	21	**1,144,073**	1,754,944
Vat receivable		**1,331,423**	8,166,239
Other		**746,483**	1,504,924
		118,331,883	164,940,297

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Management considers trade receivables as default when they are past due over 1 year and are accordingly completely provided for. The loss rates for the ageing bucket 271 to 365 days past due are in the range of 13.7% to 51.6% whereas the loss rates for remaining age brackets are not significant. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Age analysis of gross carrying amount of trade receivables is as follows:

	2020	2019
Not due	**85,083,405**	100,644,598
0-90 days past due	**18,194,210**	24,804,077
91-180 days past due	**2,766,883**	10,952,710
181-270 days past due	**585,926**	4,968,143
271-365 days past due	**1,261,047**	5,851,674
Over 365 days past due	**8,977,485**	5,231,188
	116,868,956	152,452,390

Movement in the ECL allowances for trade receivables is as follows:

	2020	2019
As at 1 January	**12,575,871**	16,629,574
Net impact of ECL allowance recognised in profit or loss during the year	**(1,021,062)**	(3,007,067)
Receivables written-off during the year as uncollectible	**(12,113)**	(1,046,636)
As at 31 December	**11,542,696**	12,575,871

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable.

The Group does not hold any collateral as security.

15 Cash and cash equivalents

	2020	2019
Cash at bank	**84,397,626**	79,568,958
Cash in hand	**50,000**	181,000
	84,447,626	79,749,958

16 Long-term borrowings

	2020	2019
Principal outstanding	**84,000,000**	15,000,000
Accrued financial costs	**1,565,944**	-
	85,565,944	15,000,000
Borrowings are presented as follows:		
Non-current portion	**18,500,000**	15,000,000
Current portion	**67,065,944**	-
	85,565,944	15,000,000

The movement in borrowings is as follows:

	2020	2019
1 January	**15,000,000**	-
Proceeds from borrowings	**69,000,000**	15,000,000
Finance costs	**2,187,225**	-
Repayment of finance costs	**(621,281)**	-
31 December	**85,565,944**	15,000,000

During 2018, BCI entered into an agreement with a commercial bank for credit facilities amounting to Saudi Riyals 262.0 million to partially finance its project as explained in Note 11. Borrowings as at 31 December 2020 represent the amount drawn by the Group from such facility. The loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates. There are no financial covenants applicable to the Company under such agreement with the bank.

In accordance with the terms of the agreement, such borrowings will be repayable in 16 equal quarterly installments of Saudi Riyals 16.4 million each commencing March 2021.

Borrowing costs capitalized during the year ended 31 December 2020 amounted to Saudi Riyals 2.1 million (31 December 2019: Nil). Also see Note 11.

(All amounts in Saudi Riyals unless otherwise stated)

16.1 Maturity profile

The maturity profile of the principal element of borrowings is as follows:

	2020	2019
Years ending 31 December:		
2021	**65,500,000**	15,000,000
2022	**18,500,000**	-
	84,000,000	15,000,000

17 Share capital

The share capital of the Company as of 31 December 2020 and 2019 comprised 27,500,000 ordinary shares stated at Saudi Riyals 10 per share.

18 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

19 Employee benefit obligations

19.1 General description of the plan

The Group operates a defined benefit plan in line with the Labor Laws' requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2020.

19.2 Movement in net liability recognized in the consolidated statement of financial position

	2020	2019
As at 1 January	**28,724,961**	29,376,697
Current service cost	**2,411,971**	2,484,320
Interest cost	**868,435**	1,240,575
Remeasurements	**1,801,818**	(1,585,816)
Benefits paid	**(2,668,214)**	(2,790,815)
As at 31 December	**31,138,971**	28,724,961

(All amounts in Saudi Riyals unless otherwise stated)

19.3 Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2020	**2019**
Current service cost	**2,411,971**	2,484,320
Interest cost	**868,435**	1,240,575
Total amount recognised in profit or loss	**3,280,406**	3,724,895
Remeasurements		
Gains from change in financial assumptions	**(98,568)**	(137,395)
Experience losses (gains)	**1,900,386**	(1,448,421)
Total amount recognised in other comprehensive income	**1,801,818**	(1,585,816)

19.4 Key actuarial assumptions

	2020	**2019**
Discount rate	**1.95%**	2.90%
Salary growth rate	**1.95%**	2.90%
Retirement age	**60 years**	60 years

19.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	(539,620)	2,021,472
Salary growth rate	0.5%	0.5%	2,068,853	(595,570)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

19.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 8.03 years (2019: 7.58 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	**1 - 2 years**	**2 - 5 years**	**5 - 10 years**	**Total**
31 December 2020	**1,782,356**	**9,211,595**	**3,662,086**	**14,422,138**	**29,078,175**
31 December 2019	1,287,096	9,597,799	3,797,377	14,671,267	29,353,539

(All amounts in Saudi Riyals unless otherwise stated)

20 Trade and other payables

	Note	2020	2019
Trade payables		**37,134,583**	42,960,515
Related parties	22(d)	**13,678,379**	7,153,484
Accrued expenses		**28,539,480**	26,951,616
Retentions payable		**12,951,284**	1,383,514
Vat payable		**4,002,127**	-
Advances from customers		**995,840**	730,621
Other		**2,601,947**	3,018,462
		99,903,640	82,198,212

21 Zakat and income tax matters

21.1 Components of zakat base

The Company and its subsidiaries are subject to zakat and income tax. The Group files zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under applicable zakat regulations principally comprise shareholders' equity, provisions at beginning of the year and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

In accordance with the regulations of the GAZT, zakat is payable at 2.578% on all components of zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%.

21.2 Provision for zakat and income taxes

	Zakat	Income tax	Total
1 January 2020	**4,692,024**	**1,772,197**	**6,464,221**
Provisions			
- For current year	**3,852,317**	**4,887,701**	**8,740,018**
- Adjustments related to prior years	**358,023**	**-**	**358,023**
	4,210,340	**4,887,701**	**9,098,041**
Payments	**(5,050,047)**	**(4,923,183)**	**(9,973,230)**
Adjustment against advance income tax	**-**	**(610,871)**	**(610,871)**
31 December 2020	**3,852,317**	**1,125,844**	**4,978,161**
1 January 2019	5,613,713	549,977	6,163,690
Provisions			
- For current year	4,692,024	4,411,389	9,103,413
- Adjustments related to prior years	549,466	-	549,466
	5,241,490	4,411,389	9,652,879
Payments	(6,163,179)	(4,944,113)	(11,107,292)
	4,692,024	17,253	4,709,277
Advance income tax	-	1,754,944	1,754,944
31 December 2019	4,692,024	1,772,197	6,464,221

At 31 December 2020, the portion of advance income tax paid by one of the subsidiaries in excess of the income tax liability amounting to Saudi Riyals 1.1 million (2019: 1.7 million) has been classified under "Trade and other receivables". Also see Note 14.

(All amounts in Saudi Riyals unless otherwise stated)

21.3 Numerical reconciliation of income tax expense to prima facie tax payable

	2020	**2019**
Profit before zakat and income taxes	**67,387,889**	69,038,551
Tax at Kingdom of Saudi Arabia tax rate of 20% (2019: 20%)	**13,477,578**	13,807,710
Less: Tax effect of amount subject to zakat	**(8,566,395)**	(8,014,903)
Less: Other	**(23,482)**	(1,381,418)
Income tax expense	**4,887,701**	4,411,389

21.4 Deferred tax

Deferred income tax assets, net arising out of temporary differences such as allowance for expected credit losses, slow-moving inventories, employee termination benefits and depreciation amounted to Saudi Riyals 1.3 million (2019: Saudi Riyals 1.3 million). Such amounts were not considered significant and, accordingly, were not recorded at 31 December 2020 and 2019.

21.5 Status of final assessments

The GAZT has finalized the zakat assessments for the Company for the years through 2010 which have been agreed by the Company.

During the year ended 31 December 2020, the GAZT issued assessments for the Company for the years 2016 to 2018 with an additional zakat liability of Saudi Riyals 0.4 million. The Company has accepted such additional assessment and settled the amount.

During the prior years, the GAZT had issued assessments for the Company for the years 2011 to 2015 with an additional zakat liability of Saudi Riyals 12.9 million. The Company filed an appeal with the GAZT requesting them to issue revised assessments based on their contentions in such appeals and correction of material errors. During the year ended 31 December 2019, the GAZT issued revised additional assessments for the years 2011 and 2015, partially accepting the Company's contentions and accordingly, reduced the additional zakat liability from Saudi Riyals 12.9 million to Saudi Riyals 3.2 million. Upon the request of the Company, the case was transferred to General Secretariat of Tax Committees ("GSTC") in respect of the matters not accepted by the GAZT. The Company management believes that no additional zakat liability will arise upon finalisation of the appeal.

During the year ended 31 December 2020, the GAZT issued assessments for NAL for the years 2015 to 2018 with an additional zakat liability of Saudi Riyals 11.1 million. NAL has filed an appeal with the GAZT requesting them to issue revised assessment based on their contentions in such appeals and correction of material errors. The Group management believes that no additional zakat liability will arise upon finalisation of the appeal.

The GAZT has issued zakat and income tax assessments related to the remaining subsidiaries for certain years which have been agreed by the subsidiaries. Zakat and income tax assessments for certain years are currently under review by the GAZT. All subsidiaries have received the respective zakat and income tax certificates for the years through 2019.

(All amounts in Saudi Riyals unless otherwise stated)

22 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(a) Following are the significant transactions with the associated entities entered into by the Group:

Nature of transactions	Relationship	For the year ended 31 December 2020	For the year ended 31 December 2019
Sales of goods to related parties	Associated companies	**13,141,120**	23,334,105
Purchases from other related parties	Associated companies	**35,925,461**	41,095,507
Royalty charged by a related party	Associated companies	**7,358,471**	7,945,790
Payments for engineering and consulting services	Other related parties	**2,500,000**	4,906,223

(b) Key management personnel compensation:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Salaries and other short-term employee benefits	**7,038,149**	7,662,153
Employee benefit obligations	**507,424**	448,197
	7,545,573	8,110,350

Board of directors' fee for the year ended 31 December 2020 was Saudi Riyals 2.1 million (2019: Saudi Riyals 1.8 million).

(c) Amounts due from related parties represent the following:

	2020	2019
Henkel Adhesives Limited and its affiliates	**2,545,260**	4,720,789

(d) Amounts due to related parties represent the following:

	2020	2019
Henkel Adhesives Limited and its affiliates	**6,747,314**	4,978,454
Huntsman (Saudi Investments) B.V. Netherlands	**6,180,170**	2,175,030
Huntsman FZE	**750,895**	-
	13,678,379	7,153,484

These outstanding balances are unsecured, settled in the ordinary course of business and bear no financial charges.

23 Financial risk management

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks - currency / foreign currency risk, cash flow and fair value interest risk and price risk.

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States dollars (USD), United Arab Emirates dirhams (AED) and Euros (EUR). Since Saudi Riyal is pegged to USD and AED, management of the Group believes that the currency risk for the financial instruments related to USD and AED is not significant.

The Group's exposure to foreign currency risk in respect of EUR at the end of the reporting period, expressed in Saudi Riyals, was as follows:

	2020	**2019**
Trade and other receivables	**3,969,901**	4,977,914
Trade and other payables	**2,838,247**	4,418,098

At 31 December 2020 and 2019, if the EUR to Saudi Riyals exchange rate increased/decreased by 10%, profit for the year would have been higher/ lower by Saudi Riyals 0.1 and 0.1 million respectively.

(All amounts in Saudi Riyals unless otherwise stated)

(ii) Fair value and cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 16, the Group has interest bearing bank borrowings of Saudi Riyals 85.5 million as at 31 December 2020.

The Group's management monitors the fluctuations in interest rates on regular basis considering its long-term borrowings carry financial charges at prevalent market rates. At 31 December 2020, a change in interest rates, with all other variables held constant, would not have had an impact on profit before zakat since borrowings costs have been capitalized by the Group.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents as well as credit exposures to customers, including outstanding amounts from related parties and committed transactions.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed local commercial banks only. Management does not expect any losses from non-performance by these counterparties.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Details of how credit risk relating to trade receivables is managed is disclosed in Note 14.

At 31 December 2020, 20% of accounts receivable were due from three customers (2019: 31% from three customers). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments.

The Group categorizes its trade receivables as due from corporates and government related entities.

Major classification of trade receivable as at 31 December was as follows:

	2020		**2019**	
	Amount	**%**	**Amount**	**%**
Corporates	**107,975,346**	**92.4**	129,870,779	85.2
Government related entities	**8,893,610**	**7.6**	22,581,611	14.8
	116,868,956	**100**	152,452,390	100

(All amounts in Saudi Riyals unless otherwise stated)

c) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations including access to borrowing facilities. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disaster.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments:

	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
2020					
Interest bearing					
Long-term borrowings	69,558,846	20,617,104	-	-	**90,175,950**
Lease liabilities	2,783,636	3,456,272	1,799,900	21,598,800	**29,638,608**
Non-interest bearing					
Trade and other payables	98,907,800	-	-	-	**98,907,800**
	171,250,282	**24,073,376**	**1,799,900**	**21,598,800**	**218,722,358**

	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
2019					
Interest bearing					
Long-term borrowings	-	15,000,000	-	-	15,000,000
Lease liabilities	935,015	1,870,030	603,336	-	3,408,381
Non-interest bearing					
Trade and other payables	81,467,591	-	-	-	81,467,591
	82,402,606	16,870,030	603,336	-	99,875,972

(All amounts in Saudi Riyals unless otherwise stated)

23.2 Capital risk management

The Group's objective when managing capital is to safeguard Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Borrowings comprise long-term borrowings from a commercial bank. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is analyzed as follows:

	2020	**2019**
Total equity	**623,298,855**	620,810,825
Long-term borrowings	**85,565,944**	15,000,000
Total	**708,864,799**	635,810,825
Gearing ratio	**12.07%**	2.36%

The management and Board of Directors do not consider lease liabilities for the purpose of calculating its gearing ratio.

23.3 Net debt reconciliation

The net debt of the Group is as follows:

	2020	**2019**
Cash and cash equivalents	**84,447,626**	79,749,958
Lease liabilities	**(19,248,202)**	(3,153,732)
Borrowings	**(85,565,944)**	(15,000,000)
Net debt	**(20,366,520)**	61,596,226

The Group's net debt reconciliation is as follows:

2020	**1 January**	**Cash flows**	**Others**	**31 December**
Cash and cash equivalents	79,749,958	4,697,668	-	**84,447,626**
Lease liabilities	(3,153,732)	1,093,415	(17,187,885)	**(19,248,202)**
Long-term borrowings	(15,000,000)	(68,378,719)	(2,187,225)	**(85,565,944)**
Net debt	61,596,226			**(20,366,520)**

2019	**1 January**	**Cash flows**	**Others**	**31 December**
Cash and cash equivalents	106,895,306	(27,145,348)	-	79,749,958
Lease liabilities	(3,909,506)	915,215	(159,441)	(3,153,732)
Long-term borrowings	-	(15,000,000)	-	(15,000,000)
Net debt	102,985,800			61,596,226

(All amounts in Saudi Riyals unless otherwise stated)

24 Categories of financial assets and financial liabilities

As at 31 December 2020 and 2019, all financial assets and financial liabilities were carried at amortized cost.

	2020	2019
Assets as per consolidated statement of financial position		
Trade and other receivables	**108,548,239**	153,600,008
Cash and cash equivalents	**84,447,626**	79,749,958
Total	**192,995,865**	233,349,966

	2020	2019
Liabilities as per consolidated statement of financial position		
Long-term borrowings	**85,565,944**	15,000,000
Lease liabilities	**19,248,202**	3,153,732
Trade and other payables	**98,907,800**	81,467,591
Total	**203,721,946**	99,621,323

At 31 December 2020, for the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 9.7 million and Saudi Riyals 1.0 million respectively (2019: Saudi Riyals 11.3 million and Saudi Riyals 0.7 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

25 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 December	
	2020	2019
Profit attributable to the shareholders of Basic Chemical Industries Company	**38,624,635**	41,221,284
Weighted average number of ordinary shares for basic and diluted earnings per share	**27,500,000**	27,500,000
Basic and diluted earnings per share	**1.40**	1.50

26 Dividends

The shareholders of the Company in their general assembly meeting held on 9 March 2020 approved dividends of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 27.5 million, for the nine-month period ended 30 September 2019, which were fully paid during the year ended 31 December 2020.

27 Contingencies and commitments

(i) The Group was contingently liable at 31 December 2020 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 8.8 million (31 December 2019: Saudi Riyals 8.4 million).

(ii) The capital expenditure contracted by the Group but not yet incurred till 31 December 2020 was approximately Saudi Riyals 249.0 million mainly related to the new project under construction in Jubail (31 December 2019: Saudi Riyals 390.0 million). Also see Note 11.

(iii) Also see Note 21 for income tax and zakat contingencies.