NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021
AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021

Report on review of condensed consolidated interim financial statements

To the shareholders of National Petrochemical Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Petrochemical Company (the "Company") and its subsidiaries (together the "Group") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2021 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

5 August 2021

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	**12,555,487**	12,950,401
Right-of-use assets		**51,317**	63,266
Other assets		**123,569**	134,234
Total non-current assets		**12,730,373**	13,147,901
Current assets			
Inventories	6	**1,008,923**	1,017,190
Prepayments and other current assets	7	**153,262**	144,643
Due from related parties	8	**248,268**	229,481
Trade receivables		**1,210,407**	784,883
Cash and cash equivalents	9	**1,404,969**	1,297,527
Total current assets		**4,025,829**	3,473,724
Total assets		**16,756,202**	16,621,625
Equity and liabilities			
Equity			
Share capital	10	**4,800,000**	4,800,000
Statutory reserve		**438,294**	438,294
Retained earnings		**3,431,590**	2,877,752
Equity attributable to the shareholders of National Petrochemical Company		**8,669,884**	8,116,046
Non-controlling interests		**3,313,652**	4,165,547
Total equity		**11,983,536**	12,281,593
Liabilities			
Non-current liabilities			
Long-term borrowings	11	**1,121,310**	1,493,854
Lease liabilities		**34,532**	42,244
Deferred tax liabilities - net		**318,833**	298,696
Employee benefit obligations		**341,510**	318,959
Total non-current liabilities		**1,816,185**	2,153,753

(Continued)

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
		(Unaudited)	(Audited)
Current liabilities			
Trade payables		**254,567**	300,975
Due to related parties	8	**1,043,801**	199,067
Accrued and other liabilities	12	**361,221**	362,909
Zakat and income tax	13	**539,733**	556,887
Current portion of long-term borrowings	11	**744,475**	743,254
Current portion of lease liabilities		**12,684**	23,187
Total current liabilities		**2,956,481**	2,186,279
Total liabilities		**4,772,666**	4,340,032
Total equity and liabilities		**16,756,202**	16,621,625

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

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2021 (Unaudited)	**2020 (Unaudited)**	**2021 (Unaudited)**	**2020 (Unaudited)**
Revenue from contracts with customers	8, 18	**2,455,720**	1,407,060	**4,583,659**	2,979,982
Cost of revenues	8, 18	**(1,458,418)**	(1,528,498)	**(2,903,705)**	(2,851,531)
Gross profit (loss)		**997,302**	(121,438)	**1,679,954**	128,451
Selling and distribution expenses	8	**(119,913)**	(82,949)	**(227,933)**	(167,496)
General and administrative expenses	8	**(36,261)**	(39,078)	**(67,929)**	(79,583)
Operating profit (loss)		**841,128**	(243,465)	**1,384,092**	(118,628)
Finance costs		**(8,047)**	(14,498)	**(16,375)**	(41,460)
Finance income		**3,136**	1,045	**4,761**	14,859
Finance costs - net		**(4,911)**	(13,453)	**(11,614)**	(26,601)
Other income - net		**6,210**	2,238	**(2,803)**	4,315
Profit (loss) before zakat and income tax		**842,427**	(254,680)	**1,369,675**	(140,914)
Zakat credit (expense)		**57,923**	(22,767)	**27,066**	(45,397)
Income tax expense		**(66,631)**	(19,509)	**(103,144)**	(23,344)
Profit (loss) for the period		**833,719**	(296,956)	**1,293,597**	(209,655)
Other comprehensive income for the period		**-**	-	**-**	-
Total comprehensive income (loss) for the period		**833,719**	(296,956)	**1,293,597**	(209,655)
Profit (loss) for the period is attributable to:					
Shareholders of National Petrochemical Company		**603,088**	(188,922)	**913,838**	(138,701)
Non-controlling interests		**230,631**	(108,034)	**379,759**	(70,954)
		833,719	(296,956)	**1,293,597**	(209,655)
Total comprehensive income (loss) for the period is attributable to:					
Shareholders of National Petrochemical Company		**603,088**	(188,922)	**913,838**	(138,701)
Non-controlling interests		**230,631**	(108,034)	**379,759**	(70,954)
		833,719	(296,956)	**1,293,597**	(209,655)
Earnings (loss) per share					
Basic and diluted	15	**1.26**	(0.39)	**1.90**	(0.29)

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

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Attributable to the shareholders of National Petrochemical Company					
	Note	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2020 (Audited)		4,800,000	415,317	2,932,677	8,147,994	4,101,801	12,249,795
Loss for the period		-	-	(138,701)	(138,701)	(70,954)	(209,655)
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	(138,701)	(138,701)	(70,954)	(209,655)
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	8	-	-	-	-	24,276	24,276
Dividends	16	-	-	(240,000)	(240,000)	(52,500)	(292,500)
		-	-	(240,000)	(240,000)	(28,224)	(268,224)
At 30 June 2020 (Unaudited)		4,800,000	415,317	2,553,976	7,769,293	4,002,623	11,771,916
At 1 January 2021 (Audited)		4,800,000	438,294	2,877,752	8,116,046	4,165,547	12,281,593
Profit for the period		-	-	913,838	913,838	379,759	**1,293,597**
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	913,838	913,838	379,759	**1,293,597**
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	8	-	-	-	-	21,871	**21,871**
Repatriation of share capital in a subsidiary	8	-	-	-	-	(1,187,900)	**(1,187,900)**
Dividends	16	-	-	(360,000)	(360,000)	(65,625)	**(425,625)**
		-	-	(360,000)	(360,000)	(1,231,654)	**(1,591,654)**
At 30 June 2021 (Unaudited)		**4,800,000**	**438,294**	**3,431,590**	**8,669,884**	**3,313,652**	**11,983,536**

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

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the six-month period ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Profit (loss) before zakat and income tax		**1,369,675**	(140,914)
Adjustments for:			
Depreciation		**437,436**	443,211
Impairment of property, plant and equipment		**-**	389,969
Gain on disposals of property and equipment		**(165)**	(55)
Finance costs - net		**11,614**	26,601
Gain on modification of subordinated loan from non-controlling interests		**-**	(765)
Provision for employee benefit obligations		**25,590**	20,067
Changes in operating assets and liabilities:			
Decrease (increase) in inventories		**8,267**	(9,908)
(Increase) decrease in prepayments and other assets		**(6,273)**	11,600
(Increase) decrease in due from related parties		**(18,787)**	52,736
(Increase) decrease in trade receivables		**(425,524)**	211,466
Decrease in trade payables		**(46,408)**	(119,207)
Increase (decrease) in due to related parties		**57,116**	(84,417)
(Decrease) increase in accrued and other liabilities		**(3,399)**	110,416
Cash generated from operations		**1,409,142**	910,800
Finance costs paid		**(12,698)**	(31,016)
Finance income received		**1,067**	9,398
Zakat and income tax paid		**(61,082)**	(24,276)
Employee benefit obligations paid		**(3,008)**	(1,714)
Net cash inflow from operating activities		**1,333,421**	863,192
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	5	**(28,862)**	(7,462)
Proceeds from disposals of property and equipment		**165**	55
Net cash outflow from investing activities		**(28,697)**	(7,407)
Cash flows from financing activities			
Proceeds from long-term borrowings		**-**	2,980,500
Repayments of long-term borrowings		**(375,000)**	(5,024,038)
Repayment of subordinated loan from non-controlling interest		**-**	(76,043)
Dividends paid		**(360,000)**	(240,000)
Principal elements of lease payments		**(18,215)**	(6,961)
Repatriation of share capital in a subsidiary to non-controlling interests	8	**(400,313)**	-
Dividends paid by a subsidiary to non-controlling interests		**(65,625)**	(52,500)
Income tax reimbursed by non-controlling interests	8	**21,871**	24,276
Net cash outflow from financing activities		**(1,197,282)**	(2,394,766)

(Continued)

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the six-month period ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Net change in cash and cash equivalents		**107,442**	(1,538,981)
Cash and cash equivalents at beginning of the period		**1,297,527**	2,485,617
Cash and cash equivalents at end of the period	9	**1,404,969**	946,636
Non-cash investing and financing activities:			
Reduction in share capital of a subsidiary adjusted against due to related parties	1	**1,187,900**	-
Amortization of transaction costs		**3,677**	4,983
Accrued capital expenditure		**1,711**	(289)
Transfer of employee benefit obligations		**31**	-
Accrued finance cost on subordinated loan from non-controlling interests		**-**	2,707

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

National Petrochemical Company ("Petrochem" or the "Company") is a Saudi joint stock company registered under Commercial Registration ("CR") Number 1010246363 issued in Riyadh on 8 Rabi Al Awwal 1429 H (corresponding to 16 March 2008), and it was established pursuant to the Ministry of Commerce's resolution number 53/Q dated 16 Safar 1429 H (corresponding to 23 February 2008).

The accompanying condensed consolidated interim financial statements include the activities of the Company and its following subsidiaries (together the "Group"):

	Country of incorporation	Effective ownership percentage at	
		30 June 2021	**31 December 2020**
Saudi Polymers Company (a limited liability company) ("SPCO")	Kingdom of Saudi Arabia	**65%**	65%
Gulf Polymers Distribution Company FZCO (a free zone limited liability company) ("GPDC")	United Arab Emirates	**65%**	65%

The Company is principally engaged in the development and establishment, operation and management and maintenance of petrochemical factories, gas, petroleum and other industries, wholesale and retail trade in material and petrochemical products and its derivatives.

SPCO is a limited liability company registered in Jubail, Saudi Arabia under CR number 2055008886 dated 29 Dhul-Qadah 1428H (corresponding to 9 December 2007), with a branch in Jubail under Commercial Registration number 2055009065.

During 2019, the shareholders of SPCO resolved to decrease the share capital of SPCO from Saudi Riyals 4.8 billion to Saudi Riyals 1.4 billion. The legal formalities in relation to this matter were completed during the six-month period ended 30 June 2021. The balance of reduction in share capital attributable to Arabian Chevron Phillips Petrochemical Company Limited ("ACPPCL") (the non-controlling interests) is payable on demand, dependent on its financial capabilities, and is treated as a current liability in SPCO's financial statements (also see Note 8).

GPDC was formed in the Dubai Airport Free Zone on 15 February 2011 as per DAFZA trade license. The registered address of GPDC is Dubai Airport Free Zone, Office No.6EA 420, Dubai, United Arab Emirates.

During the six-month period ended 30 June 2021, the Group has experienced a favorable change in the prices of most of its products, primarily due to the recovery of conditions in key markets and countries where the Group sells its products. The favorable change in prices of such products has resulted in an increase in revenue and profitability for the six-month period ended 30 June 2021. However, the market conditions remain volatile and management continues to monitor the situation closely.

The Group's management has also assessed other impacts of COVID-19 on its operations and continues to take preventative measures to ensure the health and safety of its employees and minimize the impact of the pandemic on its operations. However, as the situation is fluid and evolving, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

Proposed merger

On 15 September 2020, the Board of Directors of Saudi Industrial Investment Group Company ("SIIG") (parent company) approved the decision to initiate discussions with the Company to study the economic feasibility of merging the two related parties (the "Proposed Transaction").

1 General information (continued)

During the six-month period ended 30 June 2021, SIIG announced the completion of the initial economic feasibility study, on the basis of which SIIG and the Company decided to commence reciprocal due diligence, negotiate the terms and conditions of the Proposed Transaction and initiate sharing of information between them.

SIIG and the Company aim to satisfy the requirements applicable to the Proposed Transaction within 2021 and to present the Proposed Transaction to their respective shareholders in accordance with applicable laws and regulations. The completion of the Proposed Transaction is subject to a number of conditions which include obtaining approvals from the relevant authorities.

SIIG and the Company are not under an obligation to proceed with the Proposed Transaction. Therefore, the commencement of due diligence does not necessarily mean that SIIG and the Company will reach a final and binding agreement in relation to the Proposed Transaction or that the Proposed Transaction will be completed.

The condensed consolidated interim financial statements including notes and other explanatory information were approved and authorized for issue on 4 August 2021.

2 Accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those of the previous financial year and corresponding interim reporting periods.

2.1 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements of the Group have been prepared in compliance with IAS 34 “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these condensed consolidated interim financial statements are to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

(b) Historical cost convention

The condensed consolidated interim financial statements are prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual financial statements for the year ended 31 December 2020.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). Both SPCO and GPDC are translated in the condensed consolidated interim financial statements from United States Dollar to Saudi Riyal on a fixed rate of Saudi Riyal 3.75 to United States Dollar 1. All values are rounded to the nearest Saudi Riyal thousands, except when otherwise indicated. The condensed consolidated interim financial statements are presented in Saudi Riyals, which is also the Company’s functional currency. The Saudi Riyal is pegged to the United States Dollar and, accordingly, the management of the Group believes that the currency risk from United States Dollar denominated financial instruments is not significant.

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards and amendment to standards and interpretation

There are no new standards applicable to the Group, however, certain amendments to standards became applicable for the current reporting period. The Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform - Phase 2

Phase 1 of these amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the condensed consolidated interim statement of profit or loss and other comprehensive income.

The Phase 2 amendments require an entity to:

- account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate without the recognition of an immediate gain or loss (also see Note 11);

- prospectively cease to apply the Phase 1 reliefs to a noncontractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

(e) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. Subsidiaries are entities controlled by the Group. Controls exists 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 all of the following three elements:

- 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

Intra-group investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

Non-controlling interests in the results and equity of not wholly owned subsidiaries are shown separately in the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of financial position, respectively.

3 Fair value of assets and liabilities

As at 30 June 2021 and 31 December 2020, 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 condensed consolidated interim statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these are determined through cash flows discounted using interest rates which are based on prevailing market interest rates.

4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial statements 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 judgements 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 judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed consolidated interim financial statements from those that were applied and disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

However, as explained in Note 1, the Group's management has proactively assessed the potential impact of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the markets in which the Group operates that could adversely affect the Group's supply chain, production capabilities, demand of its products, as well as the sales distribution network that could cause a negative impact on the financial performance. Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of these condensed consolidated interim financial statements. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Property, plant and equipment

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
Cost					
Office buildings	685,696	-	-	-	**685,696**
Plant, machinery and equipment	19,508,567	13,879	-	8,302	**19,530,748**
Furniture and office equipment	190,252	-	(11,915)	-	**178,337**
Vehicles	28,494	-	(1,504)	-	**26,990**
Catalysts	18,877	-	-	-	**18,877**
Capital work-in-progress	56,182	16,694	-	(8,302)	**64,574**
	20,488,068	30,573	(13,419)	-	**20,505,222**
Accumulated depreciation					
Office buildings	(225,370)	(13,799)	-	-	**(239,169)**
Plant, machinery and equipment	(7,119,125)	(408,469)	-	-	**(7,527,594)**
Furniture and office equipment	(165,007)	(2,991)	11,915	-	**(156,083)**
Vehicles	(28,165)	(228)	1,504	-	**(26,889)**
	(7,537,667)	(425,487)	13,419	-	**(7,949,735)**
Net book value	12,950,401				**12,555,487**

6 Inventories

	30 June 2021	31 December 2020
Spare parts and consumables	**398,938**	422,659
Finished goods	**307,894**	410,116
Catalyst, chemicals and additives	**163,289**	136,718
Goods-in-transit	**137,149**	46,099
Raw materials	**1,653**	1,598
	1,008,923	1,017,190

7 Prepayments and other current assets

	30 June 2021	31 December 2020
Value added tax receivable - net	**102,410**	72,829
Prepayments	**28,521**	37,549
Loans to employees	**13,502**	13,509
Advances to suppliers	**6,080**	5,111
Accrued finance income	**705**	74
Cash margin against bank guarantees	**-**	2,264
Advance income tax	**-**	12,013
Other receivables	**2,044**	1,294
	153,262	144,643

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 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 entered into by the Group with its related parties:*

Related parties	Nature of transactions	For the three-month period ended 30 June 2021	For the three-month period ended 30 June 2020	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Shareholder:					
SIIG	*Support services*	**(90)**	(611)	**(403)**	(789)
	Transfer of employee benefit obligations	**-**	-	**31**	-
Related parties:					
ACPPCL	*Reduction in share capital of SPCO*	**1,187,900**	-	**1,187,900**	-
Saudi Chevron Phillips Company ("SCP") (Notes i and ii)	*Sales*	**73,319**	26,149	**129,238**	84,177
	Purchases	**(49,131)**	(53,228)	**(75,830)**	(73,254)
	Support services	**(76,859)**	(101,602)	**(153,150)**	(189,717)
Jubail Chevron Phillips Company ("JCP") (Note ii)	*Sales*	**54,349**	21,688	**121,863**	94,947
	Purchases	**(271,549)**	(88,650)	**(539,106)**	(312,412)
	Support services	**188**	115	**360**	236
Chevron Phillips Chemical International Sales LLC ("CPCIS") (Note iii)	*Marketing fees*	**(87,511)**	(45,810)	**(155,946)**	(93,844)
	Royalty	**(12,612)**	(13,044)	**(25,148)**	(25,822)
	Support services	**(609)**	(2,968)	**(742)**	(6,227)
Chevron Phillips Chemical Global Employment Company	*Support services*	**(9,980)**	(10,296)	**(21,572)**	(22,035)
Chemical Services Inc.	*Support services*	**(4,613)**	(3,337)	**(9,255)**	(7,075)
Other affiliates	*Support services*	**(781)**	(149)	**(1,366)**	(751)

(i) SPCO has entered into a common facilities agreement with SCP pursuant to which, SCP provides support services to SPCO in operations and maintenance, management and technical support.

(ii) SPCO, SCP and JCP jointly operate an employee savings plan for eligible employees. The contributions from the participants are deposited in a separate bank account held in the name of SCP.

(iii) SPCO has entered into a royalty agreement with CPCIS in prior years under which CPCIS charges royalty to SPCO for the use of polymerization processes.

(iv) During the six-month period ended 30 June 2021, the non-controlling interest of SPCO reimbursed Saudi Riyals 21.9 million (2020: Saudi Riyals 24.3 million) to compensate SPCO for cash payments made relating to its income tax liability.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Related party transactions and balances (continued)

(b) Outstanding balances arising from sales / purchases of goods and services are repayable in the ordinary course of business. Such balances do not bear any financial charges.

(i) Due from related parties

	30 June 2021	31 December 2020
SCP	**196,511**	183,326
JCP	**51,705**	46,106
Aromatics Distribution Company FZCO	**52**	49
	248,268	229,481

(ii) Due to related parties

	30 June 2021	31 December 2020
ACPPCL	**787,587**	-
JCP	**116,773**	87,188
SCP	**79,040**	73,088
CPCIS	**57,956**	37,780
Others	**2,445**	1,011
	1,043,801	199,067

(c) Key management personnel compensation

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021	2020	2021	2020
Salaries and other short-term employee benefits	**5,451**	4,934	**8,506**	8,278
Employee benefit obligations	**800**	382	**1,053**	632
	6,251	5,316	**9,559**	8,910

Key management personnel represent board members, directors and key personnel of the Group.

9 Cash and cash equivalents

	30 June 2021	31 December 2020
Cash at banks	**461,950**	872,506
Short-term deposits	**943,019**	425,021
	1,404,969	1,297,527

Short-term deposits, at 30 June 2021, represent Murabaha and conventional deposits amounting to Saudi Riyals 843.0 million and Saudi Riyals 100.0 million, respectively (31 December 2020: Saudi Riyals 375.0 million and Saudi Riyals 50.0 million, respectively) and are placed with commercial banks, with a maturity period of three months or less from date of placement, and yield finance income at commercial rates ranging from 0.45% to 0.75% per annum (31 December 2020: 0.45% to 0.65% per annum).

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Share capital

As at 30 June 2021, the authorized, issued and fully paid-up share capital comprised 480 million ordinary shares (31 December 2020: 480 million ordinary shares) of Saudi Riyals 10 per share.

11 Long-term borrowings

	30 June 2021	31 December 2020
Local commercial banks	**1,875,000**	2,250,000
Less: unamortized transaction costs	**(9,215)**	(12,892)
	1,865,785	2,237,108

Long-term borrowings are presented in the condensed consolidated interim statement of financial position as follows:

Long-term borrowings	**1,121,310**	1,493,854
Current portion of long-term borrowings	**744,475**	743,254
	1,865,785	2,237,108

During 2020, the Group obtained a term loan amounting to Saudi Riyals 3.0 billion from local commercial banks to re-finance and fully settle the then existing senior debts. The loan, to be repaid over 8 equal semi-annual installments beginning 30 June 2020, carries an interest rate of London Interbank Offered Rate ('LIBOR') plus 0.9% and is secured by a principal note. The portion of term loan payable beyond 30 June 2022 has been classified under non-current liabilities. The loan is denominated in United States Dollar. The covenants of the term loan require the Group to maintain certain level of financial conditions, imposes conditional limitations on shareholder distributions and certain other matters. As at 30 June 2021, the Group was in compliance with these covenants.

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

LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and, possibly, the accounting for certain financial instruments. The Group does not have any other financial instruments, other than the term loan, which are exposed to the impact of LIBOR as at 30 June 2021.

The Group is currently assessing the impact of the LIBOR reforms and determining next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

12 Accrued and other liabilities

	30 June 2021	31 December 2020
Accrued expenses	**280,021**	282,956
Advances from customers	**58,410**	51,300
Accrued salaries and benefits	**10,751**	19,164
Value added tax payable - net	**3,113**	2,423
Other payables	**8,926**	7,066
	361,221	362,909

13 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulation of the Zakat, Tax and Customs Authority (the "ZATCA"). Provisions for zakat and income tax are charged to the profit or loss.

The Group's management believes that the existing provisions in the condensed consolidated interim statement of financial position are adequate to cover any additional zakat and income tax liabilities that may arise from the ZATCA.

(a) Status of assessments of the Company

The Company has filed its Zakat and Income Tax returns with the ZATCA up to 2020. The Company has finalised its zakat status with the ZATCA for all years up to 31 December 2010 on a standalone basis. A number of additional assessments have been issued by the ZATCA as follows:

The ZATCA raised assessments for the years from 2011 to 2013 with additional zakat liability of Saudi Riyals 95.5 million. The Company had filed an appeal against the additional zakat liability with the General Secretariat of Tax Committees (the "GSTC"). During 2020, the committee at GSTC issued a final ruling in favor of the ZATCA's revised assessment, amounting to Saudi Riyals 5.7 million. The Company paid Saudi Riyals 3.5 million during 2020 and the remaining balance, amounting to Saudi Riyals 2.2 million, during the six-month period ended 30 June 2021.

The ZATCA raised assessments for the years from 2014 to 2016 with additional zakat liability of Saudi Riyals 204.2 million. The Company had filed an appeal against the additional zakat liability to the ZATCA, following which the case had been escalated to the GSTC. During the six-month period ended 30 June 2021, the Committee for Resolution of Tax Violations and Disputes (the first level of the GSTC) issued its ruling, with accepting the Company's appealed items partially and, accordingly, the zakat liability for such years has been reduced to Saudi Riyals 92.5 million. The Company and ZATCA, both, have filed an appeal to the Appellate Committee for Tax Violations and Disputes Resolution (the final level of GSTC) and the ruling is awaited.

During 2020, the ZATCA raised assessments for the years 2017 and 2018 with additional zakat liability of Saudi Riyals 128.9 million. The Company has filed an appeal against the additional zakat liability with the GSTC and the final ruling is awaited.

The assessments for 2019 and 2020 are still under the ZATCA's review.

(b) Status of assessments of SPCO

SPCO has filed its zakat and income tax returns with the ZATCA up to 2020. The assessment for the period ended 31 December 2008 has been finalised with the ZATCA with no additional liability. The assessments for the years from 2009 through 2014 and 2016 through 2020 have not yet been raised by the ZATCA.

During the six-month period ended 30 June 2021, ZATCA raised assessment for the year 2015 with additional zakat, income tax and delay fine liability of Saudi Riyals 6.9 million, Saudi Riyals 29.5 million and Saudi Riyals 17.7 million, respectively. The Company has filed an appeal with the ZATCA, against the additional zakat, income tax and delay fine liability, requesting them to issue revised assessments based on their contentions in such appeal and correction of material errors and a decision is currently awaited.

Zakat base has been computed based on the managements' understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations. The assessments to be raised by the ZATCA could be different from the declarations filed by the companies in Saudi Arabia.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Zakat and income tax (continued)

(c) Status of assessments of GPDC

GPDC is registered in the Dubai Airport Free Zone and is exempted from income tax.

14 Segment reporting

In respect of performance appraisal and allocation of resources, the Group's management is of the opinion that all activities and operations of the Group comprises a single operating segment which is the petrochemical sector. Therefore, financial reports are issued only for geographical segments.

Operating assets are located in the Kingdom of Saudi Arabia. The sales are geographically distributed as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021	**2020**	**2021**	**2020**
Domestic/Middle East	**26%**	28%	**27%**	30%
Asia	**45%**	49%	**45%**	47%
Europe/Africa	**29%**	23%	**28%**	23%
	100%	100%	**100%**	100%

15 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021	**2020**	**2021**	**2020**
Earnings (loss) for the period	**603,088**	(188,922)	**913,838**	(138,701)
Weighted average number of ordinary shares used in calculating basic and diluted earnings (loss) per share	**480,000**	480,000	**480,000**	480,000
Earnings (loss) per share	**1.26**	(0.39)	**1.90**	(0.29)

16 Dividends

During the six-month period ended 30 June 2021, the Company's shareholders approved dividends amounting to Saudi Riyals 360.0 million (Saudi Riyals 0.75 per share), which were fully paid during the period (30 June 2020: Saudi Riyals 240.0 million (Saudi Riyals 0.50 per share) which were fully paid during the period).

Furthermore, during the six-month period ended 30 June 2021, the shareholders of GPDC approved dividends amounting to Saudi Riyals 187.5 million, which were fully paid during the period (30 June 2020: Saudi Riyals 150.0 million, which were fully paid during the period).

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Contingencies and commitments

(i) At 30 June 2021, the Group was contingently liable for bank guarantees issued relating to uplift of feedstock for plant from a supplier amounting to Saudi Riyals 458.8 million (31 December 2020: Saudi Riyals 458.8 million) and other bank guarantees issued in the normal course of business amounting to Saudi Riyals 4.0 million (31 December 2020: Saudi Riyals 11.2 million).

(ii) The capital expenditure approved by the Board of Directors, for the next 12 months, as at 30 June 2021 was approximately Saudi Riyals 105.5 million (31 December 2020: Saudi Riyals 134.3 million).

18 Comparative figures

For the three-month and six-month periods ended 30 June 2020, the managements of GPDC and SPCO recorded freight costs as incidental costs necessary to satisfy performance obligations with its customers. As a result, freight costs were netted-off against the "Revenue from contracts with customers" line item in the condensed consolidated interim statement of profit or loss and other comprehensive income. The managements of GPDC and SPCO re-assessed this practice and concluded that freight costs were not incidental costs and, instead, were incurred in order to satisfy the performance obligation with its customers. As a consequence, management has reclassified such freight costs from "Revenue from contracts with customers" to "Cost of revenues" as summarized below. This reclassification has had no impact on the gross loss, operating loss, loss for the period, basic and diluted loss per share or any condensed consolidated interim statement of financial position line items.

	As previously reported	Reclassification	As reclassified
Condensed consolidated interim statement of profit or loss and other comprehensive income			
For the six-month period ended 30 June 2020			
Revenue from contracts with customers	2,861,171	118,811	2,979,982
Cost of revenues	(2,732,720)	(118,811)	(2,851,531)
Gross profit	128,451	-	128,451
For the three-month period ended 30 June 2020			
Revenue from contracts with customers	1,345,883	61,177	1,407,060
Cost of revenues	(1,467,321)	(61,177)	(1,528,498)
Gross loss	(121,438)	-	(121,438)