

**SABIC AGRI-NUTRIENTS COMPANY
AND ITS SUBSIDIARIES**

(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (unaudited) And Independent Auditor's Review Report

For the six-month period ended 30 June 2021

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Ernst & Young & Co. (Certified Public Accountant) General Partnership
Adeer Tower - 15th floor
Prince Turki Bin Abdulaziz Street - Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office - Riyadh

Registration No. 45/11/323
C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com/mena

**INDEPENDENT AUDITOR'S REVIEW REPORT ON
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
SABIC AGRI-NUTRIENTS COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of SABIC Agri-Nutrients Company, a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as the "Group") as at 30 June 2021, and the related interim condensed consolidated statements of income and other comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim financial statements based on our review. Our responsibility is to express a conclusion on these interim condensed consolidated 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

for Ernst & Young

Marwan Saleh Al-Afaliq
Certified Public Accountant
Registration No. 422



23 Dhul Hijja 1442H
2 August 2021

Al Khobar

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		8,857,310	5,589,933
Right-of-use assets		201,904	127,773
Intangible assets		68,130	62,736
Investment in an associate	4	728,500	792,271
Financial assets at fair value through other comprehensive income	5	689,010	606,443
Other non-current assets		231,721	102,062
TOTAL NON-CURRENT ASSETS		10,776,575	7,281,218
CURRENT ASSETS			
Inventories		597,192	403,048
Trade receivables	10	1,072,174	475,318
Prepayments and other current assets		132,501	119,732
Short term investments - bank deposits		200,000	1,250,000
Cash and cash equivalents		3,223,852	465,461
TOTAL CURRENT ASSETS		5,225,719	2,713,559
TOTAL ASSETS		16,002,294	9,994,777
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	4,760,354	4,166,667
Share premium	11	3,998,485	-
Statutory reserve		1,375,871	1,250,000
Retained earnings		945,917	2,309,767
Fair value reserve of financial assets at fair value through other comprehensive income	5	516,742	434,175
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		11,597,369	8,160,609
Non-controlling interest		1,213,514	-
TOTAL EQUITY		12,810,883	8,160,609
NON-CURRENT LIABILITIES			
Lease liabilities		164,312	102,913
Employees' benefits	6	1,082,904	1,092,148
Deferred tax liabilities	8	52,946	-
TOTAL NON-CURRENT LIABILITIES		1,300,162	1,195,061

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2021

	<i>Note</i>	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
CURRENT LIABILITIES			
Short-term loans	7	150,422	-
Current portion of lease liabilities		42,074	20,298
Trade payables	10	317,823	114,423
Accruals and other current liabilities		520,220	323,702
Dividends payable	14	767,667	117,936
Zakat and income tax payable	8	93,043	62,748
TOTAL CURRENT LIABILITIES		1,891,249	639,107
TOTAL LIABILITIES		3,191,411	1,834,168
TOTAL EQUITY AND LIABILITIES		16,002,294	9,994,777



Designated member
Abdulaziz H. Al-Habdan



Company's President
Fahad M. Al Battar



Finance and Planning Director
Ali S. Al Dossary

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2021

	Note	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		2021	2020	2021	2020
		SR'000	SR'000	SR'000	SR'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	10,12	1,838,977	928,713	3,345,325	1,657,082
Cost of sales		(716,001)	(474,403)	(1,577,564)	(834,829)
GROSS PROFIT		1,122,976	454,310	1,767,761	822,253
Selling and distribution expenses		(57,290)	(31,166)	(98,160)	(60,430)
General and administrative expenses		(114,463)	(63,191)	(216,609)	(123,572)
OPERATING PROFIT		951,223	359,953	1,452,992	638,251
Share of results of an associate	4	44,777	13,199	82,196	34,471
Finance income		3,449	3,453	10,368	8,141
Other income (expense) , net		6,508	(3,477)	2,100	9,213
Finance costs		(11,263)	(5,825)	(22,605)	(11,578)
INCOME BEFORE ZAKAT AND INCOME TAX		994,694	367,303	1,525,051	678,498
Zakat expense	8	(28,328)	(7,500)	(74,839)	(15,195)
Income tax expense, net	8	(5,206)	-	(38,922)	-
NET INCOME FOR THE PERIOD		961,160	359,803	1,411,290	663,303
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO					
Equity holders of the Parent		836,127	359,803	1,258,711	663,303
Non-controlling interest		125,033	-	152,579	-
		961,160	359,803	1,411,290	663,303
OTHER COMPREHENSIVE INCOME (LOSS)					
Other comprehensive income (loss) not to be reclassified to income in subsequent periods:					
Net gain (loss) on financial assets at fair value through other comprehensive income	5	32,267	91,109	82,567	(44,605)
Remeasurement gain (loss) on defined benefits plans	6	15,395	(41,306)	66,385	(41,306)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		47,662	49,803	148,952	(85,911)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,008,822	409,606	1,560,242	577,392

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER
COMPREHENSIVE INCOME (continued)

For the three-month and six-month periods ended 30 June 2021

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2021 SR'000 (Unaudited)	2020 SR'000 (Unaudited)	2021 SR'000 (Unaudited)	2020 SR'000 (Unaudited)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO					
Equity holders of the Parent		883,776	409,606	1,407,614	577,392
Non-controlling interest		125,046	-	152,628	-
		1,008,822	409,606	1,560,242	577,392
Earnings per share (Saudi Riyals)					
Number of shares outstanding (in thousands)	9	476,035	416,667	476,035	416,667
Basic and diluted earnings per share from net income attributable to the equity holders of the Parent	9	1.76	0.86	2.64	1.59



Designated member
Abdulaziz H. Al-Habdan



Company's President
Fahad M. Al Battar



Finance and Planning Director
Ali S. Al Dossary

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2021

	Attributable to the equity holders of the Parent							
	Share capital	Share premium	Statutory reserve	Retained earnings	Fair value reserve of financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2020 (audited)	4,166,667	-	1,250,000	2,221,373	358,251	7,996,291	-	7,996,291
Net income for the period	-	-	-	663,303	-	663,303	-	663,303
Other comprehensive loss for the period	-	-	-	(41,306)	(44,605)	(85,911)	-	(85,911)
Total comprehensive income for the period	-	-	-	621,997	(44,605)	577,392	-	577,392
Dividends (note 14)	-	-	-	(1,041,694)	-	(1,041,694)	-	(1,041,694)
As at 30 June 2020 (unaudited)	4,166,667	-	1,250,000	1,801,676	313,646	7,531,989	-	7,531,989
As at 1 January 2021 (audited)	4,166,667	-	1,250,000	2,309,767	434,175	8,160,609	-	8,160,609
Acquisition of non-controlling interest (note 11)	-	-	-	-	-	-	1,237,381	1,237,381
Net income for the period	-	-	-	1,258,711	-	1,258,711	152,579	1,411,290
Other comprehensive income for the period	-	-	-	66,336	82,567	148,903	49	148,952
Total comprehensive income for the period	-	-	-	1,325,047	82,567	1,407,614	152,628	1,560,242
Transfer to statutory reserve	-	-	125,871	(125,871)	-	-	-	-
Income tax reimbursed (note 8)	-	-	-	-	-	-	23,505	23,505
Issuance of shares (note 11)	593,687	3,998,485	-	-	-	4,592,172	-	4,592,172
Excess of consideration provided over book value of acquired subsidiary (note 11)	-	-	-	(1,491,947)	-	(1,491,947)	-	(1,491,947)
Dividends (note 14)	-	-	-	(1,071,079)	-	(1,071,079)	(200,000)	(1,271,079)
Balance at 30 June 2021 (unaudited)	4,760,354	3,998,485	1,375,871	945,917	516,742	11,597,369	1,213,514	12,810,883

Designated member
Abdulaziz H. Al-Habdan

Company's President
Fahad M. Al-Battar

Finance and Planning Director
Ali S. Al-Dossary

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2021

	<i>Six-month period ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flow from operating activities		
Income before zakat and income tax	1,525,051	678,498
<i>Adjustments to reconcile profit before zakat and income tax to net cash from operating activities:</i>		
Depreciation of property, plant and equipment	390,489	275,080
Depreciation of right-of-use assets	17,425	10,840
Amortisation of intangible assets	6,899	3,734
Employees' benefits charge	40,744	35,075
Share of results of an associate	(82,196)	(34,471)
Loss on disposal of property, plant and equipment	673	-
Finance income	(10,368)	(8,141)
Finance costs	22,605	11,578
	<u>1,911,322</u>	<u>972,193</u>
<i>Working capital adjustments:</i>		
Inventories	152,166	(1,944)
Trade receivables	(247,419)	43,861
Prepayments and other current assets	66,772	104,219
Trade payables	91,213	(67,761)
Accruals and other current liabilities	(33,396)	61,638
Cash from operations	<u>1,940,658</u>	<u>1,112,206</u>
Employees' benefits paid	(18,078)	(20,351)
Finance costs paid	(10,089)	(733)
Zakat and income tax paid	(91,855)	-
Net cash from operating activities	<u>1,820,636</u>	<u>1,091,122</u>
Investing activities		
Purchase of property, plant and equipment	(423,335)	(64,740)
Finance income received	10,368	8,141
Dividends received from an associate	5,624	-
Net movement in other non-current assets	24,551	16,840
Short term investments - bank deposits	<u>1,217,800</u>	<u>90,000</u>
Net cash from investing activities	<u>835,008</u>	<u>50,241</u>
Financing activities		
Payment of lease liabilities	(8,621)	(15,673)
Proceeds from short-term loan	50,294	-
Dividends paid, net	(651,235)	(632,143)
Net cash used in financing activities	<u>(609,562)</u>	<u>(647,816)</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

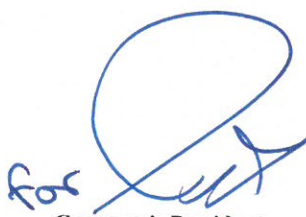
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(continued)

For the six-month period ended 30 June 2021

	<i>Six-month period ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Increase in cash and cash equivalents	2,046,082	493,547
Cash and cash equivalents at the beginning of the period	465,461	753,743
Cash and cash equivalents acquired in business combination	712,309	-
Cash and cash equivalents at the end of the period	3,223,852	1,247,290
Significant non-cash transactions:		
Net assets acquired (note 11)	3,100,225	-
Transfer of property, plant and equipment to other non-current assets	122,459	-
Additions to right-of-use assets and lease liabilities	15,204	11,557



Designated member
Abdulaziz H. Al-Habdan



Company's President
Fahad M. Al Battar



Finance and Planning Director
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The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2021

1 CORPORATE INFORMATION

SABIC Agri-Nutrients Company ("the Company" or "The Parent Company") (formerly: Saudi Arabian Fertilizer Company (SAFCO)), is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch and then cancelled in 2013.

During 2020, the shareholders in the Extraordinary General Assembly meeting dated 3 Rabi' II 1442H (corresponding to 18 November 2020) resolved to change the Parent's name from Saudi Arabian Fertilizer Company (SAFCO) to SABIC Agri-Nutrients Company.

On 3 Jumada' I 1442H (corresponding to 18 December 2020), the Extraordinary General Assembly approved the increase in share capital of the Company.

On 20 Jumada' I 1442H (corresponding to 4 January 2021) the share capital of the Company has been increased from SR 4,166,666,660 to SR 4,760,354,040 through the issuance of 59,368,738 additional shares to Saudi Basic Industries Corporation ("SABIC") as a consideration for the Company's acquisition of 100% of the share capital of SABIC Agri-Nutrients Investment Company ("SANIC") from SABIC. As a result of acquisition of SANIC, the Company has gained a further indirect 50% controlling equity interest in National Chemical Fertilizers Company ("Ibn Al Baytar"), an indirect 50% controlling equity interest in Al Jubail Fertilizer Company ("Al Bayroni") and an indirect 33.3% equity interest in Gulf Petrochemical Industries Company ("GPIC") which were owned by SANIC. Non-controlling interest in Al Bayroni is held by Taiwan Fertilizer Company Limited ("TFC"), a company incorporated in China and is measured at their proportionate share of net assets of the investee. The value of net assets acquired are mentioned in note 11 to these interim condensed consolidated financial statements.

Post issuance of these additional shares to SABIC, the Company's shares are owned 50.1% by SABIC, 7.74% by the General Organization for Social Insurance, and the remaining shares are owned by general public shareholders (31 December 2020: 42.99% by SABIC, 8.85% by the General Organization for Social Insurance, and the remaining shares were owned by general public shareholders).

The Company has the following subsidiaries and an associate:

Name	Relationship 31 December 2020	Country of incorporation	Principal activities	% Shareholding (direct and indirect) 30 June 2021	% Shareholding (direct and indirect) 31 December 2020
Ibn Al Baytar	Associate	KSA	Agri-nutrients	100	50
SANIC	Affiliate	KSA	Agri-nutrients	100	-
Al Bayroni	Affiliate	KSA	Agri-nutrients and Petrochemicals	50	-
GPIC	Affiliate	Bahrain	Agri-nutrients	33.33	-

The Company and its subsidiaries (collectively the "Group") are mainly engaged in the production, conversion, manufacturing, marketing and trade of agri-nutrients products of all types inside and outside the Kingdom of Saudi Arabia.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 June 2021

1 CORPORATE INFORMATION (continued)

The value of the net assets acquired are mentioned in note 11 to these interim condensed consolidated financial statements.

The Company also holds 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd") and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

The interim condensed consolidated financial statements of the Group for the six months period ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 23 Dhul Hijja 1442H (corresponding to 2 August 2021).

2 BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The comparative figures in these financial statements represents the reporting figures of the Company only while the current figures represent the consolidated reporting figures of the Group after the acquisition detailed in note 11.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Parent Company's annual financial statements for the year ended 31 December 2020.

2.1 Basis of measurement

The interim condensed consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of financial assets at fair value through other comprehensive income, using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

2.2 Presentation and functional currency

All values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

2.3 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the subsidiaries controlled by the Group.

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 during the period are included in the interim condensed consolidated financial statements from the date the Company gains control until the date the Group ceases to control the subsidiary.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 June 2021

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of the voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

Net income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group 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 into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the interim condensed consolidated statement of financial position, interim condensed consolidated statement of income and other comprehensive income and statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent loses control over a subsidiary, it de-recognises the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognised in the interim condensed consolidated statement of income.

2.4 Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Parent Company's annual financial statements for the year ended 31 December 2020, except for adoption of a new accounting treatment as elaborated in Note 2.4.1 and 2.4.2 below.

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (continued)

At 30 June 2021

2 BASIS OF PREPARATION (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Business combinations under common control

Business combinations under common control are accounted for using the book values of net assets at the date of acquisition. For each business combination under common control, the Group measures the non-controlling interests in the acquiree at the proportionate share of the book value of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the interim condensed consolidated statement of income and other comprehensive income. The difference between book value of net assets and the consideration paid is accounted for in the retained earnings and no goodwill is recognized.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

2.4.2 Tax

Current income tax

The non-Saudi based non-controlling interest of the Group is subject to income tax in the KSA based on their share of the results, which is included as a current period expense in the interim condensed consolidated statement of income and other comprehensive income.

Deferred tax

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.5 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Parent Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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At 30 June 2021

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements of the Parent for the year ended 31 December 2020 except for the new judgements, estimates and assumptions in note. 3.1 below.

3.1 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an entity when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns or to direct the relevant activities of the investee.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Generally, there is a presumption that having a majority of the voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact the investees return.

Hence, the Group has consolidated investees, which meet the above criteria of control in the interim condensed consolidated financial statements.

4 INVESTMENT IN AN ASSOCIATE

The table below outlines Company's investment in an associate :

	<i>Ownership % 30 June 2021</i>	<i>Ownership % 31 December 2020</i>	30 June 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
Ibn Al Baytar (note a)	100	50	-	792,271
GPIC (note b)	33.33	-	728,500	-
			728,500	792,271

Note a:

During the period, the Parent Company gained control over Ibn Al Baytar Company by acquiring additional 50% indirectly through the acquisition of SANIC as disclosed in note 11. Accordingly, it has been treated as a subsidiary and consolidated in the interim condensed consolidated financial statements.

Note b:

GPIC is incorporated in Kingdom of Bahrain and is engaged in manufacturing and exporting of ammonia, urea and methanol products.

Investment in associate is accounted for using the equity method. The Parent Company does not exercise control over the associate.

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4 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information of GPIC

The tables below provide summarised interim financial information of GPIC. The information disclosed reflects the amounts presented in the interim condensed financial statements of the relevant associate and not Company's share of those amounts:

Summarised interim condensed statement of financial position of GPIC:

	<i>30 June 2021 SR'000 (Unaudited)</i>
Current assets	669,633
Non-current assets	1,629,693
Current liabilities	(113,607)
Net assets of GPIC	2,185,719
Ownership percentage	33.33%
Carrying amount of the Company's interest in GPIC	728,500

Summarised interim statement of income and other comprehensive income of GPIC:

	<i>Six-month period ended 30 June 2021 SR'000 (Unaudited)</i>
Revenue	768,420
Net income for the period	246,612
Total comprehensive income	246,612
Company's share in total comprehensive income— 33.33% (2020: nil)	82,196

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4 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information Ibn Al Baytar

The tables below provide summarised interim financial information of Ibn Al Baytar. The information disclosed reflects the amounts presented in the interim condensed financial statements of the relevant associate and not Company's share of those amounts:

Summarised interim condensed statement of financial position of Ibn Al Baytar:

	<i>31 December 2020</i>
	<i>SR'000</i>
	<i>(Audited)</i>
Current assets	391,214
Non-current assets	1,490,229
Current liabilities	(268,891)
Non-current liabilities	(28,010)
Net assets of Ibn Al Baytar	1,584,542
Ownership percentage	50%
Carrying amount of the Company's interest in Ibn Al Baytar	792,271

Summarised interim statement of income and other comprehensive income of Ibn Al Baytar:

	<i>Six-month</i>
	<i>period ended</i>
	<i>30 June 2020</i>
	<i>SR'000</i>
	<i>(Unaudited)</i>
Revenue	388,289
Net income for the period	68,942
Total comprehensive income	68,942
Company's share in total comprehensive income– 50%	34,471

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5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Local- Quoted</i>	<i>Local- Unquoted</i>	30 June 2021	<i>31 December 2020</i>
	<i>SR'000</i>	<i>SR'000</i>	SR'000	<i>SR'000</i>
			(Unaudited)	<i>(Audited)</i>
Cost:				
At the beginning of the period/year	94,905	77,363	172,268	172,268
Fair value reserve of financial assets at FVOCI:				
At the beginning of the period/year	511,538	(77,363)	434,175	358,251
Change in fair value reserve during the period/ year	82,567	-	82,567	75,924
At the end of the period/year	594,105	(77,363)	516,742	434,175
Carrying amounts	689,010	-	689,010	606,443

Quoted investments represents 1.69% (31 December 2020: 1.69%) shares held in Yanbu National Petrochemical Company (Yansab), a listed entity in Tadawul.

Unquoted investments represents 3.87% (31 December 2020: 3.87%) shares held in Ibn Rushd, an affiliated company of SABIC.

6 EMPLOYEES' BENEFITS

	30 June 2021	<i>31 December 2020</i>
	SR'000	<i>SR'000</i>
	(Unaudited)	<i>(Audited)</i>
Defined benefit obligations	1,036,674	1,055,860
Defined contribution plan	46,230	36,288
	1,082,904	1,092,148

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At 30 June 2021

6 EMPLOYEES' BENEFITS (continued)

The following table represents the movement of the defined benefits obligations:

	30 June 2021	31 December 2020
	SR'000	SR'000
	(Unaudited)	(Audited)
At the beginning of the period / year	1,055,860	840,375
Acquired in business combination (note 11)	12,017	-
Current service cost	40,744	62,151
Interest cost	12,516	25,017
Paid during the period / year	(18,078)	(31,506)
Transfer of benefit obligations to related parties	-	(4,490)
Re-measurement (gains) losses on defined benefit plans	(66,385)	164,313
At end of the period / year	1,036,674	1,055,860

7 SHORT-TERM LOANS

The Group has a credit facility from a local bank in the form of tawarruq short-term loans to finance its working capital. The loans carry commission charges at prevailing market borrowing rates, are repayable within a year from the reporting date and is presented under current liabilities in these interim condensed consolidated financial statements.

8 ZAKAT AND INCOME TAX PAYABLE

The charge for the interim period is calculated based on estimated zakat and income tax charge for the whole year.

a) Zakat charge:

	Six-month period ended 30 June 2021	Year ended 31 December 2020
	SR'000	SR'000
	(Unaudited)	(Audited)
Provision for the period/ year	42,873	54,413
Adjustment related to prior years	31,966	5,403
	74,839	59,816

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8 ZAKAT AND INCOME TAX PAYABLE (continued)

b) The movement in the Group's zakat provision is as follows:

	<i>30 June 2021</i>	<i>31 December 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period / year	62,748	39,294
Acquired in business combination (note 11)	23,806	-
Provided during the period / year	74,839	59,816
Paid during the period / year	(68,350)	(36,362)
At end of the period / year	93,043	62,748

c) Income tax charge:

	<i>Six-month period ended 30 June 2021</i>	<i>Year ended 31 December 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Income tax expense for the period	18,858	-
Income tax adjustment related to prior years	21,300	-
	40,158	-
Deferred tax impact	(1,236)	-
	38,922	-

Management determines the estimated tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

d) The movement in the Group's tax provision is as follows:

	<i>30 June 2021</i>	<i>31 December 2020</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
At the beginning of the period / year	-	-
Provided during the period / year	40,158	-
Utilised against overpayment of income tax	(16,653)	-
Paid during the period	(23,505)	-
At end of the period / year	-	-

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At 30 June 2021

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and shares data used in the basic and diluted earnings per share computations:

	<i>Three-month period ended 30 June (unaudited)</i>		<i>Six-month period ended 30 June (unaudited)</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Income from operations for the period attributable to equity holders of the Group (SR '000)	818,845	359,953	1,258,297	638,251
Net income attributable to equity holders of the Group (SR '000)	836,127	359,803	1,258,711	663,303
Weighted average number of ordinary shares ('000)	476,035	416,667	476,035	416,667
Basic and diluted earnings per share from income from operations attributable to equity holders of the Parent (SR)	1.72	0.86	2.64	1.53
Basic and diluted earnings per share from net income attributable to equity holders of the Parent (SR)	1.76	0.86	2.64	1.59

There has been no item of dilution affecting the weighted average number of ordinary shares.

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10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the ultimate parent company, parent company, associated companies, key personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Following is the list of the major related parties of the Group:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent
Saudi Basic Industries Corporation ("SABIC")	Shareholder (parent company)

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020:

	Sales to related parties	Purchases from related parties	Advance payment	Technology and innovation charged	Shared services charged	Management and services charges to related parties	Other services	Amounts owed by related parties *	Amounts owed to related parties **
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
2021									
SABIC	3,344,608	(613,798)	74,752	(48,204)	(31,942)	-	(29,993)	1,059,240	207,702
Saudi Aramco	-	(368,968)	-	-	-	-	(1,924)	-	-
SABIC affiliates	717	(168,949)	-	-	-	-	(60,428)	11,341	27,747
								1,070,581	235,449
2020									
SABIC	1,648,273	(220,633)	73,629	(24,672)	(19,126)	-	(28,798)	383,270	88,647
Ibn Al-Baytar	5,609	(442)	-	-	-	79,096	(28,915)	52,549	9,286
Al-Bayroni	3,200	(365)	-	-	-	102,185	(9,374)	35,378	10,565
Saudi Aramco	-	(18,019)	-	-	-	-	-	-	-
SABIC affiliates	-	(27,618)	-	-	-	-	(272)	2,535	3,635
								473,732	112,133

* Presented under trade receivables in the interim condensed consolidated statement of financial position.

** Presented under trade payables in the interim condensed consolidated statement of financial position.

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- The Company has service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
- Advances to SABIC represent the amount paid by the Group according to shared service agreement to finance the purchase of the Group's materials and services.
- The Group's annual contribution to SABIC for technology and innovation is between 1% to 1.5 % per annum of total sales which is charged currently to the interim condensed consolidated statement of income and other comprehensive income.
- Substantially, all of the Group's sales are made to SABIC under marketing agreements.
- Prices and terms of payments for the above transactions are approved by the management.
- The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period ended 30 June 2021 and the year ended 31 December 2020 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2020: nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

11 ACQUISITION OF A SUBSIDIARY

As at 31 December 2020, SANIC has the following investments:

	% Shareholding
Ibn Al Baytar	50
GPIC	33.3
Al Bayroni	50

As at 31 December 2020, the Parent Company had the following associate:

	% Shareholding
Ibn Al Baytar	50

Effective 4 of January 2021, the Parent Company has acquired a 100% controlling share in SANIC from SABIC by increasing its share capital and issuance of new shares to SABIC. The total value of shares in SANIC is SR 4,592 million and the consideration has been paid for by issuing 59,368,738 new ordinary shares of the Parent Company to SABIC valued at SR 77.35 per share which has been valued as the weighted average price per share over the 3 months period ended 19 December 2019. Par value of issued shares is SR 594 million (SR 10 each) and share premium is SR 3,998 million. SABIC's ownership in the Parent Company post transaction has increased from 42.99% to 50.1%.

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At 30 June 2021

11 ACQUISITION OF A SUBSIDIARY (continued)

The value of the transaction and the net assets acquired were as follows:

	<i>SR'000</i>
Assets	
Property, plant and equipment	2,626,694
Right-of-use assets	62,207
Intangible assets	12,293
Investment in an associate	1,436,610
Other non-current assets	31,751
Inventories	243,413
Trade receivables	294,825
Prepayments and other current assets	65,030
Short term investments - bank deposits	167,800
Cash and cash equivalents	688,724
Total assets	<u>5,629,347</u>
Trade payables	(73,996)
Short-term loans	(50,064)
Lease liabilities	(61,917)
Accruals and other current liabilities	(226,245)
Zakat and income tax payable	(18,845)
Employees' benefits	(14,221)
Deferred tax liabilities	(54,182)
Total liabilities	<u>(499,470)</u>
Total identifiable net assets	<u>5,129,877</u>
Less existing 50% ownership in Ibn Al Baytar	<u>(792,271)</u>
Non-controlling interest (50% of Al Bayroni)	<u>(1,237,381)</u>
Value of net assets acquired	<u>3,100,225</u>
Value of transaction (explained above)	<u>4,592,172</u>
Excess of the value of transactions over net assets acquired accounted for in retained earnings *	<u>(1,491,947)</u>

* Pursuant to SOCPA circular dated 26 Safar 1436 H (corresponding to 18 December 2014) on the accounting treatment of business combination of entities under common control before the business combination, the net assets acquired are accounted for at their book values at the date of the acquisition, and goodwill may not be recognized in such cases.

12 SEGMENT INFORMATION

For management purposes, the Group is organised into Two Strategic Business Units ("SBUs") , a wholly owned manufacturing business, which based on its products are grouped in two reporting segments.

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12 SEGMENT INFORMATION (continued)

Based on a management decision and in line with management reporting, the income, expenses relating to the Corporate segment, has been allocated over the Petrochemicals and Agri-nutrients SBUs according to an internally agreed consistent basis. The performance of the SBUs are reviewed internally by the chief operating decision maker based on the statement of profit or loss only and there is no available discrete information about the assets and liabilities of each segment.

All intercompany transactions within the reporting segments have been appropriately eliminated. The segments' financial details are shown below:

	For the six-month period ended 30 June 2021		
	Petrochemicals	Agri-nutrients	Consolidated
	SR'000	SR'000	SR'000
Revenues	509,538	2,835,787	3,345,325
Depreciation and amortisation	(27,078)	(398,633)	(425,711)
Income from operations	277,803	1,175,189	1,452,992
Share of results of an associate	-	82,196	82,196
Finance income	388	9,980	10,368
Other expenses, net	(93)	2,193	2,100
Finance cost	(851)	(21,754)	(22,605)
Income before zakat and income tax	277,247	1,247,804	1,525,051

The Company sells all of its products mainly to one customer, the parent company. Accordingly, segmental analysis by geographic segment has not been presented.

13 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Board of Directors approved future capital expenditures amounting to SR 583.5 million (2020: SR 133 million).

Letter of guarantee

The Group issued bank guarantees of amounting to SR 21 million (2020: SR 6.8 million) in favour of Customs authorities and suppliers.

14 APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS

On 3 Dhul Qa'adah 1442H (corresponding to 13 June 2021), the Board of Directors approved to distribute an interim cash dividend amounting to SR 1.25 per share (SR 595 million in total) for the first half of 2021. Dividends were available for distribution to shareholders on 4 Dhul Hijjah 1442H (corresponding to 14 July 2021).

On 29 Rabia II 1442H (corresponding to 14 December 2020), the Board of Directors recommended to distribute an interim cash dividend amounting to SR 1.0 per share (SR 476 million in total) for the second half of 2020. This was approved by the General Assembly in their extraordinary meeting held on 29 Sha'aban 1442H (corresponding to 11 April 2021). Dividends were available for distribution to shareholders on 13 Ramadan 1442H (corresponding to 25 April 2021).

On 21 Ramadan 1441H (corresponding to 14 May 2020), the Board of Directors approved to distribute an interim cash dividend amounting to SR 1.0 per share (SR 416 million in total) for the first half of 2020. Dividends were available for distribution to shareholders on 14 Dhu al-Qa'dah 1441H (corresponding to 5 July 2020).

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14 APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS (continued)

On 18 Rabi' II 1441H (corresponding to 15 December 2019), the Board of Directors proposed to distribute cash dividends amounting to SR 1.5 per share (SR 625 million in total) for the second half of 2019. This was approved by the General Assembly in their extraordinary meeting held on 5 Sha'ban 1441H (corresponding to 29 March 2020). Dividends were available for distribution to shareholders on 19 Sha'ban 1441H (corresponding to 12 April 2020).

On 20 Rajab 1442H (corresponding to 4 March 2021), the Board of Directors of Al Bayroni approved to distribute dividends for the year ended 31 December 2020 amounting to SR 400 million (SR 200 million to each partner). Dividends were available for distribution to the partners on 2 Ramadan 1442H (corresponding to 14 April 2021).

Bank balances include restricted cash maintained by the Parent amounting to SR 120 million (2020: SR 118 million) for dividend payable and this balance is not available for general use of the Group.

Bank balances also include restricted cash by the management amounting to SR 46.3 million (2020: SR nil) kept in a separate bank account on behalf of the non-controlling interest partner for donations to be paid and is not available to the Group.

15 SIGNIFICANT MATTERS DURING THE PERIOD

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Group to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the period ended 30 June 2021, management has assessed the overall impact on the Group's operations and business aspects, and considered factors like effects on supply chain, impact of decreased oil prices, operating rates of its plants and lost volume, additional cost in supply chain, margin squeeze, and product demand. Majority of the planned shutdowns and turnarounds, which drive some part of the fixed costs have been rescheduled. Based on this assessment, no significant adjustments were required in the interim condensed consolidated financial statements for the period ended 30 June 2021. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

16 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the period ended 30 June 2021.