SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND INDEPENDENT AUDITOR'S REPORT

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INDEX **Pages**

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Independent Auditor's Report on the Audit of the Financial Statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saudi Kayan Petrochemical Company (Saudi Kayan) - A Saudi Joint Stock Company - ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is this matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Independent Auditor's Report on the Audit of the Financial Statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (A Saudi Joint Stock Company) (continued)

Key Audit Matter (continued)

The key audit matter	How the matter was addressed in our audit
Adoption of IFRS 16 As of 1 January 2019, IFRS 16 (Leases) became effective. IFRS 16 requires the Company to assess all its lease contracts and recognize depreciation, right of use and the lease liability. The management performed a detailed analysis of each lease contract to identify the differences betweern the requirements of the old and new standard, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company has chosen to apply IFRS 16 "Leases" under the modified retrospective approach. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. Management also assessed the disclosure requirements of the new standard to be made in the financial statements. We considered this as a key audit matter because the calculations of amounts underlying the right of use assets and the corresponding lease liabilities involve new processess for collecting data, complex rules and the application of significant management judegement.	We performed the following procedures in relation to the adoption of IFRS 16: • Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right of use assets and lease liabilities, and understood the approach taken towards implementation;; • Assessed the accuracy of the lease data by testing on a sample basis, the lease data captured by management through the inspection of lease documents; • Tested lease schedules on a sample basis, by recalculating the amounts underlying the right of use assets and lease liabilities, based on the terms on the lease contracts. We also tested the arithmetical accuracy of those individual lease schedules; • Evaluated the accuracy of the discount rates applied in the computation of the lease liability obligations; • Assessed the adequacy of the Company's disclosure included in the financial statemts in relation to the implemntation of the new standard.

Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2019 annual report is expected to be made available to us after the date of this auditor's report.

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Independent Auditor's Report on the Audit of the Financial Statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (A Saudi Joint Stock Company) (continued)

Other information included in the Company's 2019 Annual Report (continued)
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

When we read the Company's 2019 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance is responsible for overseeing the Company's financial reporting process.

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

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

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

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

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Independent Auditor's Report on the Audit of the Financial Statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

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

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

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

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

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

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

for Ernst & Young

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Waleed Ghazi Tawfiq
Certified Public Accountant
Registration No. 437

26 Jumada II 1441H
20 February 2020

Al Khobar

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 SR '000	2018 SR '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	28,780,613	30,722,818
Right of use assets	13	403,691	-
Intangible assets	15	242,929	263,796
Investments in an associate and advances	16	404,965	351,496
Other non-current assets	17	113,868	182,894
TOTAL NON CURRENT ASSETS		29,946,066	31,521,004
CURRENT ASSETS			
Inventories	19	1,315,617	1,659,463
Prepayments		93,330	104,118
Trade receivables	20	2,510,206	2,822,370
Other current assets	21	129,853	265,124
Short term investments	22	420,000	1,946,250
Cash and cash equivalents	23	912,723	2,376,597
TOTAL CURRENT ASSETS		5,381,729	9,173,922
TOTAL ASSETS		35,327,795	40,694,926
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	15,000,000	15,000,000
Statutory reserve		49,408	49,408
Other components of equity	25	620,874	620,874
Actuarial (loss) gain reserve		(19,049)	89,669
Accumulated losses		(698,368)	(61,591)
TOTAL EQUITY		14,952,865	15,698,360
LIABILITIES			
NON-CURRENT LIABILITIES			
Term loans	26	16,469,491	18,461,137
Lease liability	27	345,161	-
Subordinated loans from a shareholder	14	-	2,735,380
Employees' benefits	28	673,528	504,105
TOTAL NON-CURRENT LIABILITIES		17,488,180	21,700,622
CURRENT LIABILITIES			
Current portion of term loans	26	1,496,725	1,522,473
Current portion of lease liability	27	43,088	-
Trade payables	29	463,948	588,826
Accruals and other current liabilities	30	782,983	997,038
Zakat provision	31	100,006	187,607
TOTAL CURRENT LIABILITIES		2,886,750	3,295,944
TOTAL LIABILITIES		20,374,930	24,996,566
TOTAL EQUITY AND LIABILITIES		35,327,795	40,694,926

Chairman of the Board of Directors	Designate Member	Company's President	Finance and Planning Director
Omar Abdullah Al-Amoudi	Waleed Ahmed Al-Shalfan	Omar Al-Ruhaily	Ayed Habib Al-Haider

The attached notes 1 to 40 form part of these financial statements

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 SR '000	2018 SR '000
Sales	14	9,536,400	12,263,159
Cost of sales	7	(8,477,343)	(8,897,832)
GROSS PROFIT		1,059,057	3,365,327
Selling and distribution expenses	8	(236,610)	(215,336)
General and administrative expenses	9	(443,446)	(489,409)
OPERATING PROFIT		379,001	2,660,582
Share of profits of an associate	16	18,334	48,491
Financial income		94,423	88,528
Other income, net	10	15,013	87,731
Finance costs	11	(1,045,319)	(1,004,238)
(LOSS) INCOME BEFORE ZAKAT		(538,548)	1,881,094
Zakat	31	(98,229)	(178,846)
NET (LOSS) INCOME FOR THE YEAR		(636,777)	1,702,248
OTHER COMPREHENSIVE (LOSS) INCOME			
Other comprehensive (loss) income not to be reclassified to income in subsequent periods:			
Re-measurement (loss) gain on defined employees' benefit plans	28	(108,718)	88,645
OTHER COMPREHENSIVE (LOSS) INCOME		(108,718)	88,645
TOTAL COMPREHENSIVE (LOSS) INCOME		(745,495)	1,790,893
(Loss) earnings per share (Saudi Riyals)			
Basic and diluted (loss) earnings per share from net (loss) income for the year attributable to the equity holders of the Company	32	(0.42)	1.13

Chairman of the Board of Directors	Designate Member	Company's President	Finance and Planning Director
Omar Abdullah Al-Amoudi	Waleed Ahmed Al-Shalfan	Omar Al-Ruhaily	Ayed Habib Al-Haider

The attached notes 1 to 40 form part of these financial statements.

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	*Statutory reserve*	*Other components of equity*	*Actuarial gain (loss) reserve*	*Accumulated losses*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Balance at 1 January 2018	15,000,000	49,408	620,874	1,024	(1,763,839)	13,907,467
Net income for the year	-	-	-	-	1,702,248	1,702,248
Other comprehensive income	-	-	-	88,645	-	88,645
Total comprehensive income	-	-	-	88,645	1,702,248	1,790,893
Balance at 31 December 2018	15,000,000	49,408	620,874	89,669	(61,591)	15,698,360
Balance as at 1 January 2019	15,000,000	49,408	620,874	89,669	(61,591)	15,698,360
Net loss for the year	-	-	-	-	(636,777)	(636,777)
Other comprehensive loss	-	-	-	(108,718)	-	(108,718)
Total comprehensive loss	-	-	-	(108,718)	(636,777)	(745,495)
Balance at 31 December 2019	**15,000,000**	**49,408**	**620,874**	**(19,049)**	**(698,368)**	**14,952,865**

Chairman of the Board of Directors
Omar Abdullah Al-Amoudi

Designate Member
Waleed Ahmed Al-Shalfan

Company's President
Omar Al-Ruhaily

Finance and Planning Director
Ayed Habib Al-Haider

The attached notes 1 to 40 form part of these financial statements.

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 SR '000	2018 SR '000
OPERATING ACTIVITIES			
(Loss) income before zakat		(538,548)	1,881,094
Adjustments to reconcile (loss) income before zakat to net cash flows from operating activities			
Depreciation of property, plant and equipment		2,265,274	2,256,778
Depreciation of right of use assets		54,243	-
Amortisation of intangible assets		19,158	15,512
Employees' benefits, net		60,705	28,378
Write-off of property, plant and equipment		2,018	23,151
Write-off of intangible assets		1,709	-
Loss on disposal of property, plant and equipment		-	1,413
Share of profits of an associate		(18,334)	(48,491)
Provision for slow moving, obsolete and dormant spare parts inventory		-	1,401
Finance costs		1,045,319	1,004,238
Financial income		(94,423)	(88,528)
		2,797,121	5,074,946
Working capital adjustments:			
Inventories		343,846	(374,804)
Trade receivables		312,164	(266,105)
Prepayments		(25,753)	2,929
Other current and non-current assets		132,621	70,909
Trade payables, accruals and other current liabilities		(212,548)	(53,833)
		3,347,451	4,454,042
Finance costs paid		(963,226)	(904,243)
Zakat paid		(185,830)	(116,880)
Net cash flow provided by operating activities		2,198,395	3,432,919
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(303,761)	(257,286)
Proceeds from disposal of property, plant and equipment		-	7,180
Additions to intangible assets		-	(4,596)
Additions to right of use assets		(8,202)	-
Net movement in short term investments		1,526,250	(1,946,250)
Financial income received		103,190	85,170
Net cash flow from (used in) investing activities		1,317,477	(2,115,782)
FINANCING ACTIVITIES			
Net movements on term loans		(4,928,663)	(1,454,539)
Net movements on lease liability		(51,083)	-
Net cash flow used in financing activities		(4,979,746)	(1,454,539)
Net decrease in cash and cash equivalents		(1,463,874)	(137,402)
Cash and cash equivalents at the beginning of the year		2,376,597	2,513,999
Cash and cash equivalents at the end of the year	23	912,723	2,376,597

"to be continued"

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

	2019 SR '000	2018 SR '000
NON-CASH TRANSACTIONS:		
Financial charges of lease liability	23,383	-
Amortisation of upfront fees on term loans	25,375	25,429
Unamortised upfront fees recognised as finance cost on the settlement of term loans	20,100	-
Financial charges for the fair value differential on loans from a shareholder	27,556	59,543
Unamortised fair value differential recognised as finance cost on the settlement of subordinated loans	112,064	-
Net of non-cash movement in accrued financial charges	126,385	15,023
Transfer of advances to construction work in progress	27,774	-
IFRS 16 adoption adjustment impacting right of use assets and lease liability (note 3)	406,743	-
IFRS 16 adoption adjustment recognizing right of use assets by crediting prepayments (note 3)	36,541	-
IFRS 16 adoption adjustment recognizing right of use assets by crediting capital lease under property, plant and equipment (note 3)	6,448	-
IFRS 16 adoption adjustment recognizing lease liability by debiting term loans	9,206	-
IFRS 9 adoption adjustments impacting trade receivable	-	579
Advances to an associate transferred from other current assets to invetment in associate and advances under non-current assets	35,135	-
Net movement in accrued financial income under other current assets	8,767	3,358

Chairman of the Board of Directors	Designate Member	Company's President	Finance and Planning Director
Omar Abdullah Al-Amoudi	Waleed Ahmed Al-Shalfan	Omar Al-Ruhaily	Ayed Habib Al-Haider

The attached notes 1 to 40 form part of these financial statements.

1 CORPORATE INFORMATION

Saudi Kayan Petrochemical Company (Saudi Kayan) ("the Company") is a Saudi Joint Stock Company registered under Commercial Registration No. 2055008450 issued in Al Jubail on 26 Jumada'I 1428H (12 June 2007). The registered address of the Company is P.O. Box 10302, Al Jubail Industrial City, the Kingdom of Saudi Arabia. 35% of the Company's shares are owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public.

The Company is engaged in production of polypropylene, propylene, acetone, polyethylene, ethoxylate, ethylene, ethylene glycol, bisphenol, ethanolamine, industrial Fatty alcohol, polycarbonate and other petrochemical products under an industrial license No. (218) dated 7 Safar 1441 H (7 October 2019) and ending on 7 Safar 1444 H (4 September 2022) issued by the Ministry of Energy, Industry and Mineral Resources.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA') and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

The Company has adopted IFRS 16 Leases' from 1 January 2019 and accounting policies for these new standards were disclosed in note 3.

2.2 Basis of Measurement

The financial statements are prepared under the historical cost convention, using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

The financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

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

3 NEW ACCOUNTING POLICIES

The Company has adopted IFRS 16 'Leases' from 1 January 2019 and accounting policies for these new standards are as set out below:

3.1 IFRS 16 - Leases

The nature and effect of the changes as a result of adoption of IFRS 16 are described below.

The Company has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for 2018 financial year are not restated.

The Company has not used the practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. In adopting IFRS 16, the Company has applied the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with a remaining lease term of less than 12 months at 1 January 2019;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

3 NEW ACCOUNTING POLICIES (continued)

3.1 IFRS 16 - Leases (continued)

On adoption of IFRS 16, the Company has recognised lease liabilities and associated right of use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using SABIC's incremental borrowing rate as of 1 January 2019 since SABIC manages central treasury, procurement and payment functions and as a result almost all of the borrowings and lease arrangements are managed centrally and the Company's subordinated loans were secured by corporate guarantee of SABIC. The associated right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepayments relating to that lease recognised in the statement of financial position as at 31 December 2018.

The following table shows reconciliation of operating lease commitments under IAS 17 to lease liability under IFRS 16 as on 1 January 2019:

	1 January 2019
	SR '000
Operating lease commitments disclosed as at 31 December 2018	**584,427**
(Less): exempted short-term leases to be recognised on a straight-line basis as expense	**(3,821)**
Operating lease commitments subject to IFRS 16 as at 31 December 2018	**580,606**
Discounted using SABIC's incremental borrowing rate	**(173,863)**
Lease liability recognised as at 1 January 2019 as a result of adopting IFRS 16	**406,743**
Right of use assets:	
Add: Prepayments related to leases as at 1 January 2019	**36,541**
Add: Assets previously recognized as property, plant and equipment as capital lease under IAS 17	**6,448**
Right of use assets as at 1 January 2019	**449,732**
Lease liability:	
Add: finance lease liability already recognized as of 1 January 2019 under IAS 17	**9,206**
Total lease liability as of 1 January 2019	**415,949**

Leases are recognised as right of use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the statement of income and other comprehensive income over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs; if applicable.

Lease liabilities include, if applicable, the net present value of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3 NEW ACCOUNTING POLICIES (continued)

3.1 IFRS 16 - Leases (continued)

Short term leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the statement of income and other comprehensive income.

Variable lease payments

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in statement of income and other comprehensive income.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

3.2 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The Amendments to IAS 19 ‘Employee Benefits’ specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The Amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the year.

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.1 Key sources of estimation uncertainty (continued)

4.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The management believes, that all constructed plants were pre-conditioned with gas allocation agreement, and the Company does not have the option to curtail/discontinue any one of these plants, accordingly the lowest level of identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets is the cash inflows generated by all plants together. Therefore, the Company as whole considered as single cash generating unit for the purpose of impairment calculation testing.

4.1.2 Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4.1.3 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

4.1.4 Long-term assumptions for employee benefits

Post-employment defined benefits, end-of-service benefits and indemnity payment represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. The accounting standard requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

4.2 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.3 Critical judgments in applying accounting standards

The following critical judgments have the most significant effect on the amounts recognized in the financial statements:

4.3.1 Component parts of property, plant and equipment

The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of the statement of the financial position are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendment to IFRS 3 – Definition of a business

In October 2018, the International Accounting Standards Board "IASB" issued Definition of a Business (Amendments to IFRS 3). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets as assets rather than a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020. The Company will apply it once it become effective and it enters into a business combination.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Owned Assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it. Pre-operating costs during startup period net of proceeds from sale of trial production, are included as part of cost of the relevant item of property, plant and equipment, provided it is a directly attributable cost which meets the recognition criteria, and only up to the point the asset is in a condition ready for intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround/shutdown, planned) is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately. All other repair and maintenance costs are recognized in the statement of income and other comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Company will periodically assess the expectation and estimation for the decommissioning liability.

Environment, health, safety and security (EHS&S) related expenditures, including contamination treatment costs, are capitalized if they meet the recognition criteria, mainly, that such costs are required by prevailing applicable legislation and are required to continue the license to operate or is imposed by the Company's own mandatory requirements relating to EHS&S. These are capitalized together with the cost of the relevant item of property, plant and equipment to which they relate.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	13-40 years
Plant and equipment	4-50 years
Furniture, fixture and office equipment	3-10 years
Vehicles	4 years
Catalysts	1.5-20 years

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year–end.

Assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and other comprehensive income.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the statement of income over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs; if applicable.

Lease liabilities include, if applicable, the net present value of fixed payments including in-substance fixed payments, less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Short-term and low value assets' leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the statement of income.

Variable lease payments

Some leases contain variable payments that are linked to the usage or performance of the leased asset. Such payments are recognised in the statement of income.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income and other comprehensive income in the expense category consistent with the function of the intangible asset.

The amortization period for intangible assets with a finite useful life is as follows:

Licenses	3-20 years
IT development	5 years

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognized in the statement of income and other comprehensive income when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

• The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
• Its intention to complete and its ability and intention to use or sell the asset
• How the asset will generate future economic benefits
• The availability of resources to complete the asset
• The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The investment in an associate is accounted for using equity method. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in the statement of income and other comprehensive income, and the Company's share of movements in other comprehensive income (OCI) of the investee in other comprehensive income.

Dividends received or receivable from associate are recognized as a reduction in the carrying amount of the investment.

The statement of income and other comprehensive income reflects the Company's share of the profits of operations of the associate. Any change in OCI of this associate is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Company's share in net result of an associate is shown on the face of the statement of income and other comprehensive income outside operating profit.

The financial statements of the associate should be for the same reporting period as the Company. If not, then adjustments are made to bring the balances and transactions to be at / for the reporting period similar to the Company. Adjustments shall also be made to bring the balances and transactions in line with the accounting policies of the Company, in case the accounting policies of such associate differ from those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share in net result of an associate' in the statement of income and other comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income and other comprehensive income.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized in the statement of income and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Company shall also test intangible assets with an indefinite useful life (including goodwill) or intangible assets not yet available for use for impairment annually by comparing their carrying amount with respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognized during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and other comprehensive income.

Inventories

Inventories, including raw materials, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation), or the net realizable value.

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

Scrap inventory, co-product and by-product

Production process in the Company sometimes results in production of co-product simultaneously, or may result in some by-products or scraps (either non-usable or recyclable). When the costs of conversion of such co/by-product and/or scrap are not separately identifiable from the main product cost, they are allocated on a rational and consistent basis to such products and co/by-product and scrap. The allocation is based on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

Scrap inventory, co-product and by-product (continued)

Where by-products and scrap are immaterial and where costs cannot be allocated to them or it is inefficient to do so, these items are measured under inventory at net realizable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product inventory is not materially different from its cost.

In the statement of income other comprehensive income, the net realizable value for the by-products and scrap reduces the cost of sales for the period. Upon subsequent sale of such by-product, the proceeds is recorded as revenue with a corresponding cost of sale being recorded based on earlier recorded net realizable value, while for scrap, the proceeds, net of cost is recorded as other income.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

• Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.

• Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the related property, plant and equipment in which it is installed. These do not form part of inventory.

• General spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the capitalisation threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income and other comprehensive upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short term investments

Short term investments represent Murabaha commodity deposits with maturity over three months and less than a year upon acquisition are presented under current assets. These deposits are maintained with local and foreign commercial banks in Saudi Riyals and US dollars and carry profit at commercial rates.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee end of service benefits and post-employment benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of financial position.

Other long-term employee benefit obligations

Other long-term employee benefit obligations (including continuous service awards, long service leave and annual leave which are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service) are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expect future wage and salary levels, experience of employee departures, historic attrition rates and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of income and other comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Post-employment obligation

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans and post-employment medical plans for eligible employees and their dependents.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions in to a separate entity and will have no legal or constructive obligation to pay amounts. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Eligible employees who participate in defined contribution plan may also invest a portion of their earnings in various program funds.

The Company operates a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance and for purpose of presentation in the financial statements, it is offset with the related liability under the savings plan and net liability to employees is reported under the employee benefits liability.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service benefits, pension plans and post-retirement medical and life insurance plans which qualify as defined benefit plans.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee end of service benefits and post-employment benefits (continued)

Defined benefit plans (continued)

(a) End of service pension awards

The net pension asset or liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the fair value of plan assets, if any, less the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of income and other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur as other comprehensive income (OCI) in the statement of income and other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of income and other comprehensive income as past service costs.

Valuations of the obligations under these plans are carried out by independent actuaries based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor and Workmen law as well as the Company policy.

(b) Medical and life insurance

The Company provides post-retirement healthcare and life insurance benefits to its eligible retirees and their dependents for 5 years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

The accounting for these plans requires that management makes certain assumptions relating to discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. These estimates are highly susceptible to change from period to period based on the performance of plan assets (if any), actuarial valuations, market conditions and contracted benefit changes. The selection of assumptions is based on historical trends, future estimates based on economic and market conditions at the time of valuation. However, actual results may differ substantially from the estimates that were based on the critical assumptions used.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee end of service benefits and post-employment benefits (continued)

Short-term and long-term incentive plans (profit sharing or bonus plans)

The Company recognizes a liability and an expense for bonuses and incentive plans based on a formula that takes into consideration the estimated expected payable amount given the performance of the Company. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation, and where the amount is accrued over the period based on the target expectation and a reliable estimate of the obligation can be made.

Termination benefits (early retirement program)

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Employee Home Ownership Program (HOP)

The Company has established employee's home ownership programs (HOP) that offer eligible employees the opportunity to buy residential units constructed by the Company through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Company. The requirements relating to financial instruments do not apply to such accumulated balance as paragraph 2(c) of IAS 39 specifically excludes employers' rights and obligations under employee benefit plans. Repayment of such amount in the event that an employee leaves before entitlement to the house has vested represents a potential employer's obligation to which IAS 19 applies. IAS 19 requires measuring such an obligation on an expected outcome basis.

Employee Home Loan Program (HLP)

The Company provides interest free home loan to its eligible employees for one time only during the period of the service for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's housing allowances.

HLP is recognized as a non-current financial asset at fair value and measured at amortized cost using the effective interest rate method. The difference between the fair value and the actual amount of cash given to the employee is recognized as a "non-current prepaid employee benefits" and is amortized as an expense equally over the period of service. The same amount is also amortized as interest income against the receivable from employees.

Executive vehicles

The Company grants eligible employees a Company owned vehicle up to a specific value. The benefit is provided to employees against their services for a fixed period of years. The employee also has an option to opt for a higher value vehicle and the difference in value is contributed by the employee. The vehicle shall remain the property of the Company. The Company's Human Resource policy governs the arrangement with the employee and may define conditions under which such vehicle can be transferred to employee.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of income and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate (pre-zakat) that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (”GAZT”) in the Kingdom of Saudi Arabia. The provision is charged to the statement of income and other comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loan and receivables, and trade receivable as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as:
•Loan and receivables.
•Trade receivable.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of income and other comprehensive income.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Trade receivables

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 30 to 90 days term, less any provision for doubtful debts and impairment. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the statement of income and other comprehensive income as incurred.

Other receivables include supplier advances, employee receivables and other such receivables which are not 'trade' receivables. Other receivables are stated at amortized cost which generally corresponds to their face value. Allowance for doubtful receivables is assessed as per methodology noted above.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

• The rights to receive cash flows from the asset have expired, or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the two classes at initial recognition:

•Financial liabilities at fair value through profit or loss
•Other financial liabilities measured at amortized cost using the effective interest rate method.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The category of financial liability at fair value through profit or loss has two subcategories:
•Designated: a financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition

•Held for trading: a financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognized initially when the Company becomes party to a contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at fair value through profit and loss will continue to be recorded at fair value with changes being recorded in the statement of income and other comprehensive income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in statement of income and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization is included as finance costs in the statement of income and other comprehensive income.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of income and other comprehensive income.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement are evaluated periodically.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value of a shareholder's subordinated loans

The fair value of a shareholder's subordinated loans is determined based on the valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as discount rate, liquidity risk, credit risk and volatility.

Revenue recognition

Sales revenue

The Company recognises revenue when control of the products sold, transfers to the marketer/customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Company is acting as a principal or agent.

Sales made to SABIC (referred to as the 'Marketer') under the marketing and off-take agreements, and upon the delivery of products to the Marketer, sales are recorded at provisional selling prices which are later adjusted based upon actual selling prices received by the Marketer from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Cost of sales

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Company. These costs typically include distribution and logistics expenses as well as allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production or selling of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of sales or selling and distribution expenses.

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Company.

Finance income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of income and other comprehensive income. Earnings on time deposits are recognized on an accrual basis.

Earnings per share

Basic earnings per share is calculated by dividing:

• the net income attributable to Equity holders of the Company, excluding any costs of servicing equity other than ordinary shares

• by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. Since there is no sufficient balance of retained earnings to transfer 10% of the net income for the year, no such transfer has been made for the current year.

7 COST OF SALES

	2019	*2018*
	SR'000	*SR'000*
Raw materials and consumables	**12,591,166**	15,622,907
Change in finished products inventory	**(7,567,608)**	(10,171,106)
Depreciation of property, plant and equipment (note 12)	**2,257,528**	2,249,220
Depreciation of right of use assets (note 13)	**38,411**	-
Employees' costs	**530,052**	617,130
Utilities	**575,627**	541,331
Amortisation of intangible assets	**15,512**	15,512
Provision for expired raw materials	**7,351**	1,401
Other	**29,304**	21,437
	8,477,343	8,897,832

8 SELLING AND DISTRIBUTION EXPENSES

	2019	*2018*
	SR'000	*SR'000*
Freight and storage	**226,930**	208,097
Depreciation of right of use assets (note 13)	**9,466**	-
Other	**214**	7,239
	236,610	215,336

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	*2018*
	SR'000	*SR'000*
Technology and innovation cost (note 14)	**190,362**	245,243
Employees' costs	**93,859**	87,510
Shared services charges (note 14)	**60,279**	66,890
Amortisation of site development costs and intangible assets	**22,429**	18,783
Maintenance and manpower supply	**13,225**	6,098
Taxes	**15,285**	11,320
Leases	**3,505**	8,875
Depreciation (note 12)	**7,746**	7,558
Depreciation of right of use assets (note 13)	**6,366**	-
Board members allowances	**2,831**	5,839
Other	**27,559**	31,293
	443,446	489,409

10 OTHER INCOME, NET

	2019 ***SR'000***	*2018* *SR'000*
Write-off of property, plant and equipment (note 12)	**(2,018)**	(23,151)
Foreign currency exchange gains (losses)	**2,282**	(4,165)
Insurance proceeds	**176**	82,500
Loss on disposal of property, plant and equipment (note 12)	**-**	(1,413)
Rental income	**2,887**	4,944
Accruals no longer required	**-**	13,727
Other miscellaneous income, net	**11,686**	15,289
	15,013	87,731

11 FINANCE COSTS

	2019 ***SR'000***	*2018* *SR'000*
Interest on debts and borrowings	**814,024**	899,724
Interest expenses related to defined benefit plans (note 28)	**20,344**	18,614
Lease financial charges	**23,383**	766
Bank charges	**2,473**	162
Total interest expense	**860,224**	919,266
Unwinding of discount	**52,931**	84,972
Early settlement of subordinated loans (note 14)	**112,064**	-
Early settlement of term loans (note 26)	**20,100**	-
Total finance costs	**1,045,319**	1,004,238

12 PROPERTY, PLANT AND EQUIPMENT

	For the year ended 31 December 2019						
	Plant and equipment	*Buildings*	*Furniture, fixture and office equipment*	*Vehicles*	*Catalyst*	*Construction work in progress*	***Total 2019***
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	***SR'000***
Cost:							
As of 1 January 2019	43,089,787	2,553,746	325,177	11,001	448,654	190,851	**46,619,216**
Additions	45,318	2,866	1,535	-	41	281,775	**331,535**
Write-off	(2,734)	-	-	-	-	(219)	**(2,953)**
Transfers to ROU assets (note 13)	(14,329)	-	-	-	-	-	**(14,329)**
Transfers	98,695	60	123	-	-	(98,878)	**-**
As of 31 December 2019	43,216,737	2,556,672	326,835	11,001	448,695	373,529	**46,933,469**
Accumulated depreciation:							
As of 1 January 2019	14,683,319	537,029	290,725	10,111	375,214	-	**15,896,398**
Charge for the year	2,123,637	77,702	10,705	72	53,158	-	**2,265,274**
Related to write-off	(935)	-	-	-	-	-	**(935)**
Transfers to ROU assets (note 13)	(7,881)	-	-	-	-	-	**(7,881)**
As of 31 December 2019	16,798,140	614,731	301,430	10,183	428,372	-	**18,152,856**
Net book amounts:							
At 31 December 2019	**26,418,597**	**1,941,941**	**25,405**	**818**	**20,323**	**373,529**	**28,780,613**

The construction work in progress mainly relates to other support facilities with a total cost of SR 373.5 million.

The borrowing costs capitalised during the year on construction work in progress amounted to SR nil million.

Property, plant and equipment are constructed on a land leased by the Company from Royal Commission for Jubail and Yanbu under a long-term renewable lease agreement with an initial term of 30 years effective from 21 Rabi'I 1428H (corresponding to 9 April 2007).

All of the Company's property, plant and equipment are secured against term loans (note 26).

Depreciation charge for 2019 of SR 2,257.5 million and SR 7.8 million has been allocated to cost of sales and general and administrative expenses, respectively.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	For the year ended 31 December 2018						
	Plant and equipment	*Buildings*	*Furniture, fixture and office equipment*	*Vehicles*	*Catalyst*	*Construction work in progress*	*Total 2018*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:							
As of 1 January 2018	41,690,283	2,554,954	316,134	11,001	372,312	1,486,163	46,430,847
Additions	129,416	211	3,891	-	12,416	111,352	257,286
Write-off	(32,669)	-	-	-	(20,070)	(3,359)	(56,098)
Disposals	(11,162)	(1,657)	-	-	-	-	(12,819)
Transfers	1,313,919	238	5,152	-	83,996	(1,403,305)	-
As of 31 December 2018	43,089,787	2,553,746	325,177	11,001	448,654	190,851	46,619,216
Accumulated depreciation:							
As of 1 January 2018	12,586,434	459,626	278,929	10,038	341,766	-	13,676,793
Charge for the year	2,113,640	77,751	11,796	73	53,518	-	2,256,778
Related to write-off	(12,877)	-	-	-	(20,070)	-	(32,947)
Related to disposals	(3,878)	(348)	-	-	-	-	(4,226)
As of 31 December 2018	14,683,319	537,029	290,725	10,111	375,214	-	15,896,398
Net book amounts:							
At 31 December 2018	28,406,468	2,016,717	34,452	890	73,440	190,851	30,722,818

The construction work in progress mainly relates to construction of many support facilities with a total cost of SR 190.9 million.

The borrowing costs capitalised during the year on construction work in progress amounted to SR 7.5 million.

Property, plant and equipment are constructed on a land leased by the Company from Royal Commission for Jubail and Yanbu under a long-term renewable lease agreement with an initial term of 30 years effective from 21 Rabi'I 1428H (corresponding to 9 April 2007).

All of the Company's property, plant and equipment are secured against term loans (note 26).

Depreciation charge for 2018 of SR 2,249.2 million and SR 7.6 million has been allocated to cost of sales and general and administrative expenses, respectively.

13 Right of use assets

	For the year ended 31 December 2019					
	Land	*Tank*	*Housing*	*Vehicles*	*Pipelines*	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:						
Right of use assets recognised as of 1 January 2019 on adoption of IFRS 16 (note 3)	55,517	187,339	169,941	30,487	-	**443,284**
Transfers from property, plant and equipment as at 1 January 2019 on adoption of IFRS 16 (note 3 & 12)	-	-	-	-	14,329	**14,329**
Additions	-	-	8,202	-	-	**8,202**
As of 31 December 2019	55,517	187,339	178,143	30,487	14,329	**465,815**
Accumulated depreciation:						
Related to transfers from property, plant and equipment as at 1 January 2019 on adoption of IFRS 16 (note 3 & 12)	-	-	-	-	7,881	**7,881**
Charge for the year	4,173	17,417	24,454	7,483	716	**54,243**
As of 31 December 2019	4,173	17,417	24,454	7,483	8,597	**62,124**
Net book amounts:						
At 31 December 2019	**51,344**	**169,922**	**153,689**	**23,004**	**5,732**	**403,691**

Depreciation charge for 2019 of SR 38.41 million, SR 9.46 million and SR 6.37 million has been allocated to cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	**Nature of relationship**
SABIC	Shareholder
Saudi Butanol Company	Associate
SABIC affiliates	Affiliates

The following table provides the total amount of major transactions that have been entered into with related parties and related parties' balances as at 31 December 2019 and 31 December 2018:

			Amount of transaction		***Ending balance***	
Related party	***Relationship***	***Nature of transaction***	***For the year ended 31 December 2019***	*For the year ended 31 December 2018*	***31 December 2019***	*31 December 2018*
			SR '000	*SR '000*	***SR '000***	*SR '000*
a. Trade accounts receivable due from a related party (note 20)						
SABIC	Shareholder	Sales	**9,536,301**	12,263,026	**2,502,670**	2,811,160
b. Advances and other receivables due from related parties (note 21)						
SABIC	Shareholder	Advances			**97,160**	137,856
SABIC affiliates	Affiliate	Advances			**9,211**	7,852
					106,371	145,708

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

			Amount of transaction		*Ending balance*	
Related party	***Relationship***	***Nature of transaction***	***For the year ended 31 December 2019***	*For the year ended 31 December 2018*	***31 December 2019***	*31 December 2018*
			SR '000	*SR '000*	***SR '000***	*SR '000*
c. Advances to an associate						
Saudi Butanol Company						
Current portion (note 21)					**-**	35,135
Non-current portion (note 16)	Associate	Advances	-	-	**35,135**	-
					35,135	35,135
d. Trade accounts payable due to related parties (note 29)						
SABIC	Shareholder	Purchases and other services	**1,021,418**	928,361		
		Shared services charges (note 9)	**60,279**	66,890		
		Technology and innovation cost (note 9)	**190,362**	245,243		
		Purchase of insurance policies through the shareholder	**31,239**	26,076		
		Finance cost charges	**189,235**	343,896	**145,470**	123,590
Other	Affiliates and an associate	Costs charged by an associate	**128,140**	156,258		
		Purchase of inventory, capital goods and services	**116,961**	95,529	**2,252**	48,082
					147,722	171,672
e. Subordinated loans from a shareholder – presented under non current liabilities in the statement of financial position						
SABIC	Shareholder	Financial charges for the fair value differential on loans from a shareholder	**139,620**	59,543	**-**	2,735,380

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Terms and conditions of transactions with related parties

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 year ended 31 December 2019 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 year ended 31 December 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. 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.

Significant transactions with related parties are described as follows:

(i) SABIC has provided three long-term loans to the Company, which carried commission below the market rates. These loans were subordinated to certain term loans obtained from commercial banks. During the year, the Company has early settled these three long-term loans obtained from SABIC amounting to SR 837.5 million, SR 500 million and SR 1,537.5 million which where were due on 15 December 2020, 31 December 2020 and 30 June 2025, respectively. Since these loans carried commission below the market rate at 2.5% + SIBOR, the remaining unamortised fair value differential outstanding at the date of the settlements of SR 112.06 million have been recognised as finance cost in the statement of income and other comprehensive income for the year.

(ii) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.

(iii) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services from SABIC and its affiliates.

(iv) The Company has provided an interest free advance to its associate which resulted in fair value differential. This advance is expected to be fully paid during 2032.

(v) The Company's annual contribution to SABIC for research and technology is 2% of total sales, which is charged to general and administrative expenses in the statement of income and other comprehensive income.

(vi) SABIC also charged finance charges, guarantee fees and commitment fees to the Company in relation to the subordinated loans.

(vii) The majority of Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted, on a monthly basis, to actual selling prices received by SABIC from its customers after deducting shipping, distribution and selling cost, and a marketing fee to cover all other marketing expenses.

Prices and terms of payments for the above transactions are approved by the Company's management.

Key management compensation

The Company provides certain remunerations and compensation to key management personnel. Remuneration for the years ended 31 December 2019 and 2018 of key management personnel is detailed as follows:

	2019	*2018*
	SR'000	*SR'000*
Short-term employee benefits	**7,341**	6,831
Defined employees' benefits obligation	**2,363**	3,442
	9,704	10,273

15 INTANGIBLE ASSETS

	Licenses	IT development	Under development	**Total**	Total
	SR'000	*SR'000*	*SR'000*	***2019 SR'000***	*2018 SR'000*
Cost:					
At the beginning of the year	310,234	-	56,439	**366,673**	362,077
Additions	-	-	-	**-**	4,596
Write-off	(1,709)	-	-	**(1,709)**	-
Transfer	1,835	21,868	(23,703)	**-**	-
At the end of the year	310,360	21,868	32,736	**364,964**	366,673
Amortisation:					
At the beginning of the year	102,877	-	-	**102,877**	87,365
Charge for the year	15,532	3,626	-	**19,158**	15,512
At the end of the year	118,409	3,626	-	**122,035**	102,877
Net carrying value:					
At 31 December	191,951	18,242	32,736	**242,929**	263,796

16 INVESTMENT IN AN ASSOCIATE AND ADVANCES

This represents 33.33% equity interest in Saudi Butanol Company Limited ("SABUCO") a limited liability company registered in the Kingdom of Saudi Arabia, which is engaged in production of Butanol and Iso-Butanol. SABUCO is registered with a capital of SR 486 million and the Company invested SR 162 million for its equity interest. Construction of production facilities of SABUCO commenced in early 2014 and were completed during 2015. Commercial production started during 2016.

The movement in investment in SABUCO was as follows:

	2019 SR'000	*2018 SR'000*
Balance of investment in an associate at 1 January	**285,867**	237,376
Share of profits for the year	**18,334**	48,491
Balance of investment in an associate at 31 December	**304,201**	285,867
Fair value differentials of interest free loan provided to the associate	**65,629**	65,629
Non-current portion of advances to the associate (note 14)	**35,135**	-
	404,965	351,496

Summarised statement of financial position of SABUCO :

	2019 SR'000	*2018 SR'000*
Current assets	**221,576**	223,840
Non-current assets	**1,453,872**	1,485,672
Current liabilities	**(156,526)**	(134,977)
Non-current liabilities	**(659,369)**	(758,465)
Equity	**859,553**	816,070
Company's share in equity (after allocating income tax and zakat to each partner)– 33.33% (2018: 33.33%)	**304,201**	285,867

16 INVESTMENT IN AN ASSOCIATE AND ADVANCES (continued)

Summarised statement of income of SABUCO :

	2019	*2018*
	SR'000	*SR'000*
Revenues	**380,394**	468,854
Cost of sales	**(282,832)**	(274,043)
General and administration expenses	**(15,333)**	(23,750)
Finance cost	**(23,660)**	(22,577)
Other income	**344**	271
Income before zakat and income tax	**58,913**	148,755
Company's share in income before zakat and income income– 33.33% (2018: 33.33%)	**19,638**	49,585
Share in zakat	**(1,304)**	(1,094)
Company's share in net income	**18,334**	48,491

17 OTHER NON-CURRENT ASSETS

	2019	*2018*
	SR'000	*SR'000*
Employees' loans and advances	**113,868**	164,111
HOP site development costs	**-**	18,783
	113,868	182,894

18 FINANCIAL ASSETS AND LIABILITIES

18.1 Financial assets at amortized cost

	2019	*2018*
	SR'000	*SR'000*
Cash and cash equivalents	**912,723**	2,376,597
Short term investments	**420,000**	1,946,250
Trade receivables	**2,510,206**	2,822,370
Advances and other receivable from related parties	**106,371**	145,708
Current portion of advances to an associate	**-**	35,135
Non-current portion of advances to an associate	**35,135**	-
Value added tax (VAT) receivable	**16,413**	71,755
Other financial assets	**2,870**	8,609
	4,003,718	7,406,424

18.2 Financial liabilities at amortized cost

	2019	*2018*
	SR'000	*SR'000*
Term loans	**17,966,216**	19,983,610
Subordinated loans from a shareholder	**-**	2,735,380
Lease liability	**379,771**	-
Lease liability - intercompany	**8,478**	-
Trade payables	**463,948**	588,826
Other financial liabilities	**113,024**	273,660
	18,931,437	23,581,476

19 INVENTORIES

	2019	*2018*
	SR'000	*SR'000*
Spare parts	**793,561**	784,773
Less: provision for slow moving, obsolete and dormant spare parts inventory	**(316,993)**	(316,993)
	476,568	467,780
Raw materials, net	**106,041**	108,486
Goods in transit	**56,802**	33,575
Finished goods, net	**676,206**	1,049,622
	1,315,617	**1,659,463**

19 INVENTORIES (continued)

During 2019, SR 5.1 million was recognised as a reversal of provision for inventories carried at net realisable value (2018: SR 7.6 million recognised as a provision for inventories carried at net realisable value). This is recognised in cost of sales.

The movement in provision for slow moving, obsolete and dormant spare parts inventory was as follows:

	2019	*2018*
	SR'000	*SR'000*
Balance at 1 January	**316,993**	315,592
Charge for the year	**-**	1,401
Balance at 31 December	**316,993**	316,993

20 TRADE RECEIVABLES

	2019	*2018*
	SR'000	*SR'000*
Trade accounts receivable due from third parties	**13,280**	16,897
Trade accounts receivable due from a related party (note 14)	**2,502,670**	2,811,160
	2,515,950	2,828,057
Less: Provision for doubtful debts	**(5,744)**	(5,687)
	2,510,206	2,822,370

Terms and conditions for related party transactions and balances are disclosed under note 14 of these financial statements.

Movements in the provision for doubtful debts were as follows:

	2019	*2018*
	SR'000	*SR'000*
Balance at 1 January	**5,687**	5,452
Adoption of IFRS 9	**-**	579
Adjusted balance at 1 January	**5,687**	6,031
Provision no longer required	**-**	(344)
Charged during the year	**57**	-
Balance at 31 December	**5,744**	5,687

The aging analysis of trade receivable is as follows:

	Total	**Neither past due nor impaired**	**Less than 30 days**	**31-60 days**	**61-90 days**	**More than 121 days**
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2019	**2,515,950**	**2,505,566**	**2,835**	**1,943**	**79**	**5,527**
31 December 2018	2,828,057	2,815,957	3,489	3,084	-	5,527

20 TRADE RECEIVABLES (continued)

The aging analysis of trade receivable with third parties is as follows :

31 December 2019:

	Total	**Neither past due nor impaired**	**Less than 30 days**	**31-60 days**	**61-90 days**	**More than 121 days**
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Expected credit loss rate		0.41%	1.02%	10.63%	8.86%	100%
Carrying amount at default	**13,280**	2,896	2,835	1,943	79	5,527
Less secured receivable	**(2,911)**	-	(2,835)	(76)	-	-
Net Carrying amount at default	**10,369**	2,896	-	1,867	79	5,527
Expected credit loss	**5,744**	12	-	198	7	5,527

31 December 2018:

	Total	Neither past due nor impaired	Less than 30 days	31-60 days	61-90 days	More than 121 days
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Expected credit loss rate		1.24%	3.28%	24.00%	43.97%	100%
Carrying amount at default	16,897	4,797	3,489	3,084	-	5,527
Less secured receivable	(3,493)	-	(409)	(3,084)	-	-
	13,404	4,797	3,080	-	-	5,527
Expected credit loss	5,687	59	101	-	-	5,527

Trade receivables are non-interest bearing and the Company's credit period is 30-90 days after which trade receivables are considered to be past due. Unimpaired trade receivables are unsecured and are expected, on the basis of past experience, to be fully recoverable.

21 OTHER CURRENT ASSETS

	2019	*2018*
	SR'000	*SR'000*
Advances and other receivable from related parties (note 14)	**106,371**	145,708
Current portion of advances to an associate (note 14)	**-**	35,135
Value added tax (VAT) receivable, net	**16,413**	71,755
Other	**7,069**	12,526
	129,853	265,124

22 SHORT TERM INVESTMENTS

Short term investments represent Murabaha commodity deposits with maturity over three months and less than a year upon acquisition and are presented under current assets. These deposits are maintained with local and foreign commercial banks in Saudi Riyals and US dollars and carry profit at commercial rates.

The table below provides details of amounts placed in various currencies:

	2019	*2018*
	SR'000	*SR'000*
SAR	**-**	750,000
USD	**420,000**	1,196,250
	420,000	1,946,250

23 CASH AND CASH EQUIVALENTS

	2019 ***SR'000***	*2018* *SR'000*
Cash at banks	**432,723**	976,597
Time deposits	**480,000**	1,400,000
	912,723	2,376,597

Time deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The table below provides details of amounts of cash and cash equivalents placed in various currencies:

	2019 ***SR'000***	*2018* *SR'000*
SAR	**491,832**	1,522,767
USD	**420,891**	853,830
	912,723	2,376,597

24 SHARE CAPITAL

The authorised, issued and paid up share capital is SR 15,000 million, which is divided into 1,500 million shares (2018: 1,500 million shares) of SR 10 each.

25 OTHER COMPONENTS OF EQUITY

Other components of equity of SR 620.87 million represents contribution surplus for the fair value differential in respect of subordinated loans from a shareholder (note 14).

26 TERM LOANS

	Effective Interest rate (%)	Maturity/final payment	***2019*** ***SR'000***	*2018* *SR'000*
Public Investment Fund (PIF) (note 26.1)	LIBOR+0.50	31 December 2022	**1,297,125**	1,595,425
Islamic Facility Agreement (IFA) (note 26.2)	LIBOR+0.70	31 December 2022	**1,991,263**	2,351,027
Commercial facility from various commercial banks (note 26.3)	LIBOR+0.70	31 December 2022	**1,402,981**	1,656,454
Export Credit Agency (ECA) (note 26.4)	LIBOR+ various	31 December 2022	**1,884,590**	2,292,546
Islamic Working Capital Facility from a commercial bank (note 26.5)	LIBOR+0.70	28 May 2023	**2,410,683**	2,410,700
Saudi Industrial Development Fund (SIDF) (note 26.6)	Follow up cost	13 February 2025	**418,120**	565,238
Commercial term loans obtained against corporate guarantee of SABIC (note 26.7)	Various	Various	**-**	9,103,014
Murabaha long term loans (note 26.8)	Various	Various	**8,561,454**	-
Obligations under finance lease			**-**	9,206
Total			**17,966,216**	19,983,610
Total current			**1,496,725**	1,522,473
Total non-current			**16,469,491**	18,461,137

26 TERM LOANS (continued)

The movement of unamortised upfront fees during the year was as follows:

	2019	*2018*
	SR'000	*SR'000*
At the beginning of the year	**84,643**	111,705
Addition during the year	**67,500**	-
Amortised during the year	**(46,336)**	(27,062)
At the end of the year	**105,807**	84,643

The above loans are secured either by mortgage of the assets or bank and corporate guarantees. In accordance with the loan agreement, SABIC will maintain 35% ownership in the Company during the repayment period of these borrowings.

26.1 Public Investment Fund

The loan agreement with PIF provided for a loan facility of US dollars 1,067 million (SR 4,001.2 million) to partially finance the construction of the Company's production facilities. The loan bears financial charges on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan is payable in twenty four semi-annual installments which commenced in June 2011. The loan is denominated in US dollars.

26.2 Islamic Facility Agreement

During 2008, the Company entered into the IFA facility amounting to US dollars 1,030.1 million (SR 3,863.7 million) pursuant to which the commercial banks will participate in the procurement of portion of the Company production facilities on the basis of a co-ownership structure. As per the terms of the facility, upon completion of the construction phase and certain other formalities, such co-owned assets will be leased to the Company at agreed annual rentals. A special purpose vehicle, Saudi Kayan Assets Leasing Company Limited (the "Custodian"), has been incorporated in the Kingdom of Saudi Arabia to hold Islamic financiers' interest in the co-owned assets on their behalf. Under the Forward Lease Agreement and the other IFAs, the Company will purchase such co-owned assets from the Custodian upon repayment of IFA facility. During 2014, the Company has achieved the completion requirement as required by the terms of the facility and the arrangement to transfer the title of the co-owned assets has been initiated by the Company and currently is in progress for completion of contractual formalities. Accordingly, as of 31 December 2019, the loan liability has not yet been converted into lease obligation for an equivalent amount with a corresponding amount of leased assets.

The repayment of such facility will be made on semi-annual installments over a period of twelve years ending in December 2022. The loan is denominated in US dollars.

26.3 Commercial Facility

The Company has obtained loan facilities amounting to US dollar 725.9 million (SR 2,722.3 million) from various commercial banks. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2022. These loans bear financial charges based on LIBOR and an agreed margin. These loans are payable in twenty four un-equal semiannual installments. These loans are mainly denominated in US dollars.

26.4 Export Credit Agency

The Company entered into four ECA backed facilities amounting to US dollars 1,938.1 million (SR 7,267.7 million). The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2022. These loans bear financial charges based on LIBOR and an agreed margin. The loans are payable in twenty four un-equal semi-annual installments. These loans are mainly denominated in US dollars.

26 TERM LOANS (continued)

26.5 Islamic Working Capital Facility

The Company has entered into an Islamic Working Capital Facility arrangement for funding its working capital requirements and signed a Credit Facility Agreement for a facility of US dollars 643.8 million (SR 2,414.4 million) with a local commercial bank. The tenure of the loan is fifteen years from the date of signing of the agreement. The loan shall be paid in full on 28 May 2023.

26.6 Saudi Industrial Development Fund

The loan agreements with SIDF provided for loans of SR 2,479 million to finance construction of the Company's production facilities. Up-front and annual administrative fees are charged by SIDF under the loan agreements. The loans are payable in 26 un-equal semiannual installments which commenced in December 2012.

SIDF loans are secured by mortgage of the assets of the Company. The covenants of the borrowing facility with SIDF require the Company to maintain certain level of financial conditions, limiting the dividends distribution and annual capital expenditure above certain limits.

26.7 Commercial loans against corporate guarantees of SABIC

During the year, the Company has early repaid all commercial term loans obtained against corporate guarantee of SABIC amounting to SR 9,125 million and the remaining unamortised upfront fees outstanding at the date of settlement of SR 20.1 million have been recognised as finance cost in the statement of income and other comprehensive income for the year.

26.8 Murabaha long term loans

During the year, the Company has entered into Murabaha refinancing long term loan agreement with a local commercial bank amounting to US dollars 2 billion (SR 7.5 billion) to settle a portion of the the Company's subordinated loans and to finance working Capital requirements.The loan bears financial charges on LIBOR plus an agreed margin. This loan is payable on 30 June 2026. In additon, the Company has also entered into Murabaha refinancing long term loan agreement with a local commercial bank amounting to SR 1.5 billion to settle a portion of the Company's subordinated loans. The loan bears financial charges on SIBOR plus an agreed margin. This loan is payable on 30 December 2027.

26.9 The aggregate repayment schedule of term loans is as follows:

	2019	*2018*
	SR'000	*SR'000*
2019	**-**	1,522,473
2020	**1,496,725**	1,480,469
2021	**1,688,108**	3,688,108
2022	**3,626,339**	8,118,066
2023	**3,757,327**	2,490,586
2024	**1,346,797**	1,194,173
Thereafter	**6,050,920**	1,489,735
	17,966,216	19,983,610

27 LEASE LIABILITY

	2019	*2018*
	SR '000	*SR'000*
Non-current	**345,161**	-
Current	**43,088**	-
	388,249	-

27 LEASE LIABILITY (continued)

Maturity analysis

Third Party

	2019	
	Minimum payments	**Present value of payments**
	SR '000	***SR '000***
Less than 1 year	**63,347**	**42,300**
Later than one year to five years	**239,272**	**173,474**
More than five years	**197,060**	**163,997**
	499,679	**379,771**
Total minimum lease payments	**499,679**	
Less amounts representing finance charges	**119,908**	
Present value of minimum lease payments	**379,771**	**379,771**

Related Party

	2019	
	Minimum payments	**Present value of payments**
	SR '000	***SR '000***
Less than 1 year	**1,438**	**788**
Later than one year to five years	**5,753**	**3,865**
More than five years	**4,315**	**3,825**
	11,506	**8,478**
Total minimum lease payments	**11,506**	
Less amounts representing finance charges	**3,028**	
Present value of minimum lease payments	**8,478**	**8,478**

28 EMPLOYEE BENEFITS

	2019 ***SR'000***	*2018* *SR'000*
Defined employees' benefits obligation	**649,295**	485,793
Other employees' benefits	**24,233**	18,312
	673,528	504,105

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2019 and 31 December 2018 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2019	*2018*
Discount rate	**3.10%**	4.40%
Expected rate of salary increase		
Executive	**4.50%**	4.50%
Non-Executive	**6.00%**	6.00%

The present values of the defined benefit obligations at 31 December were computed using the actuarial assumptions set out above.

	2019 ***SR'000***	*2018* *SR'000*
Present value of defined benefit obligation	**540,577**	574,438
Remeasurement loss (gain) on defined employees' benefit obligations	**108,718**	(88,645)
Balance as at 31 December	**649,295**	485,793

The break up of net benefit costs charged to statement of income and other comprehensive income is as follows:

	2019 ***SR'000***	*2018* *SR'000*
Current service cost	**54,518**	68,485
Interest cost (note 11)	**20,344**	18,614
Net benefit expense	**74,862**	87,099

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

	2019 ***SR'000***	*2018* *SR'000*
Defined benefit obligation at beginning of the year	**485,793**	533,809
Charged to statement of income and other comprehensive income	**74,862**	87,099
Remeasurement loss (gain) on defined employees' benefit obligations	**108,718**	(88,645)
Payments during the year	**(13,493)**	(40,606)
Adjustments/transfers during the year	**(6,585)**	(5,864)
Defined benefit obligation at end of the year	**649,295**	485,793

28 EMPLOYEE BENEFITS (continued)

The following table represents the components of the defined benefits liability as at 31 December:

	For the year ended 31 December 2019			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*
At 1 January	442,607	4,649	38,537	**485,793**
Charge recognised in income statement for the year:				
-Current service cost	50,503	510	3,505	**54,518**
-Interest cost	18,525	183	1,636	**20,344**
Actuarial changes arising due to:				
demographic assumptions	95,667	-	187	**95,854**
financial assumptions	4,428	442	9,909	**14,779**
experience assumptions	-	(721)	(1,194)	**(1,915)**
Payments during the year	(11,345)	(253)	(1,895)	**(13,493)**
Adjustments/transfers during the year	(6,072)	(32)	(481)	**(6,585)**
As at 31 December	**594,313**	**4,778**	**50,204**	**649,295**

	For the year ended 31 December 2018			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*
At 1 January	498,596	5,797	29,416	533,809
Charge recognised in income statement for the year:				
-Current service cost	54,545	622	13,318	68,485
-Interest cost	17,428	158	1,028	18,614
Actuarial changes arising due to:				
demographic assumptions	-	-	643	643
financial assumptions	(85,713)	(250)	(397)	(86,360)
experience assumptions	461	7	(3,396)	(2,928)
Payments during the year	(39,024)	(565)	(1,017)	(40,606)
Adjustments/transfers during the year	(3,686)	(1,120)	(1,058)	(5,864)
As at 31 December	442,607	4,649	38,537	485,793

Sensitivity analysis

The table below illustrates the approximate impact on the defined benefit liability if the Company were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the defined benefit liability under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total defined benefit liability. The sensitivities only apply to the defined benefit liability and not to the net amounts recognised in the statement of financial position.

28 EMPLOYEE BENEFITS (continued)

Sensitivity analysis (continued)

	31 December 2019		
	End of Service Benefit Plan	**Continuous Service Awards**	**Post-retirement medical benefits**
	SR'000	***SR'000***	***SR'000***
Increase			
Discount rate (+25 bps)	**563,251**	**4,689**	**48,338**
Salary (+25 bps)	**603,847**	**4,780**	**50,202**
Inflation rate (Health care cost) (+25 bps)	**583,390**	**4,780**	**52,250**
Decrease			
Discount rate (-25 bps)	**604,479**	**4,873**	**52,171**
Salary (-25 bps)	**563,738**	**4,780**	**50,202**
Inflation rate (Health care cost) (-25 bps)	**583,390**	**4,780**	**48,255**
Weighted average duration (in years)			
Discount rate (+25 bps)	**13.80**	**7.60**	**14.80**
Discount rate (-25 bps)	**14.50**	**7.90**	**15.70**

	31 December 2018		
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits
	SR'000	*SR'000*	*SR'000*
Increase			
Discount rate (+25 bps)	414,876	4,577	37,214
Salary (+25 bps)	444,337	4,650	38,534
Inflation rate (Health care cost) (+25 bps)	429,302	4,650	40,008
Decrease			
Discount rate (-25 bps)	444,404	4,726	39,927
Salary (-25 bps)	414,866	4,650	38,534
Inflation rate (Health care cost) (-25 bps)	429,302	4,650	37,133
Weighted average duration (in years)			
Discount rate (+25 bps)	13.40	6.30	13.70
Discount rate (-25 bps)	14.10	6.50	14.50

Expected total benefits payments:

31 December 2019	*Less than a year*	*Between 1-2 years*	*Between 2-5 years*	*Over 5 years*	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	***SR'000***
End of service benefits	11,585	14,413	60,149	168,268	**254,415**
Continuous service award	256	212	2,329	3,240	**6,037**
Post-retirement medical benefits	3,298	3,639	5,429	2,604	**14,970**
	15,139	**18,264**	**67,907**	**174,112**	**275,422**

28 EMPLOYEE BENEFITS (continued)

Expected total benefits payments (continued):

31 December 2018	*Less than a year* *SR'000*	*Between 1-2 years* *SR'000*	*Between 2-5 years* *SR'000*	*Over 5 years* *SR'000*	Total *SR'000*
End of service benefits	8,807	12,611	51,267	148,213	220,898
Continuous service award	966	261	1,304	3,643	6,174
Post-retirement medical benefits	2,698	2,894	6,960	1,631	14,183
	12,471	15,766	59,531	153,487	241,255

29 TRADE PAYABLES

	2019 ***SR'000***	*2018* *SR'000*
Trade accounts payable due to third parties	**316,226**	417,154
Trade accounts payable due to related parties (note 14)	**147,722**	171,672
	463,948	588,826

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

For terms and conditions with related parties, refer to note 14.

30 ACCRUALS AND OTHER CURRENT LIABILITIES

	2019 ***SR'000***	*2018* *SR'000*
Accrued expenses	**657,578**	691,631
Interest payable	**19,899**	146,284
Retentions payable	**20,684**	45,216
Employees' payable	**37,884**	62,654
Royalties payable	**26,328**	27,707
Other	**20,610**	23,546
	782,983	997,038

31 ZAKAT PROVISION

The zakat charge consists of the following:

	2019 ***SR'000***	*2018* *SR'000*
Charge for the year	**100,006**	182,606
Adjustments related to prior years	**(1,777)**	(3,760)
	98,229	178,846

31 ZAKAT PROVISION (continued)

Zakat base is calculated as follows:

	2019 ***SR'000***	*2018* *SR'000*
Equity	**15,698,360**	13,908,046
Loans, opening provisions and other adjustments	**19,372,710**	23,656,891
Book value of long term assets	**(30,739,779)**	(32,305,936)
	4,331,291	5,259,001
Zakatable income for the year	**(451,556)**	2,045,267
Zakat base	**3,879,735**	7,304,268

	2019 ***SR'000***	*2018* *SR'000*
At the beginning of the year	**187,607**	125,641
Provided during the year	**98,229**	178,846
Paid during the year	**(185,830)**	(116,880)
At the end of the year	**100,006**	187,607

During 2017, the General Authority of Zakat and Tax ("GAZT") issued the assessments for the year 2012 to 2015 with an additional liability of SR 144 million. The Company filed an appeal against the assessments during 2017. During the current year and as a result of the Company's appeal, GAZT has adjusted the additionally assessed liability for the years 2012 to 2015 to be SR 9.4 million which has been accepted and fully paid by the Company. Assessments for the year 2016 to 2018 have not yet been raised by the GAZT.

32 EARNINGS PER SHARE

Basic (loss) earnings per share amounts are calculated by dividing net (loss) income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the period.

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

	2019 ***SR'000***	*2018* *SR'000*
Operating profit for the year	**379,001**	2,660,582
Net (loss) income attributable to equity holders	**(636,777)**	1,702,248
Number of shares outstanding (in thousands)	**1,500,000**	1,500,000
Basic and diluted earnings per share from operating profit attributable to equity holders of the Company	**0.25**	1.77
Basic and diluted (loss) earnings per share from net income attributable to equity holders of the Company	**(0.42)**	1.13

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

33 FAIR VALUE MEASUREMENT

The Company measures financial instruments at each statement of financial position date. Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed in this note.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

33 FAIR VALUE MEASUREMENT (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Fair values of the Company’s interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed to be insignificant.

34 CONTINGENCIES AND COMMITMENTS

During the year, the Company issued Letter of Credits to the Intercreditor (MUFG Bank Ltd.) amounting to SAR 821.3 million (2018: SAR nil million) for the purpose of replacing the stand by cash balance in the Debit Service Reserve Account.

The Company contingently liable for bank guarantees issued on behalf of the Company in the normal course of business amounting to SR 22.95 million (2018: SR 17.8 million).

The capital expenditure contracted by the Company but not incurred till year end was approximately SR 374 million (2018: SR 236 million).

35 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Substantial portion of the Company's sales are made to one customer and all of the Company’s operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographical and operating segment has not been presented.

36 CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTMENTS

The tables below outlines the breakdown of the Company's financing and investments into conventional and non-conventional:

	2019	*2018*
	SR'000	*SR '000*
Short term investments		
- Murabaha (including fixed term deposits)	**420,000**	1,946,250
Non-conventional short term investments	**420,000**	1,946,250

	2019	*2018*
	SR'000	*SR '000*
Cash and cash equivalents		
- Current Murabaha (including fixed term deposits)	**480,000**	1,400,000
- Current account	**432,723**	976,597
Non-conventional cash and cash equivalents	**912,723**	2,376,597
Total cash and cash equivalents	**912,723**	2,376,597

	2019	*2018*
	SR'000	*SR '000*
Term loans		
- Conventional loans	**4,584,696**	5,544,425
- Conventional loans - (from a shareholder	**-**	2,735,380
- Leases	**388,249**	9,206
Conventional long-term debt	**4,972,945**	8,289,011
- Murabaha	**8,561,454**	9,103,014
- SIDF	**418,120**	565,238
- Other non-conventional facilities	**4,401,946**	4,761,727
Non-conventional long-term debt	**13,381,520**	14,429,979
Total term loans	**18,354,465**	22,718,990

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, short term investments and cash and cash equivalents that derive directly from its operations. The Company's management reviews and agrees policies for managing each of these risks which are summarized below.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Company does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and currency risk. Financial instruments affected by market risk include loans.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The following table demonstrates the sensitivity of statements of comprehensive income to reasonable possible changes in interest rates, with all other variable held constant.

	" Increase/ Decrease in basis points "	*Effect on income before zakat*
		SR '000
2019		
Total SAR denominated floating rate loan	**+50**	**9,705**
Total USD denominated floating rate loan	**+50**	**80,661**
		90,366
Total SAR denominated floating rate loan	**-50**	**(9,705)**
Total USD denominated floating rate loan	**-50**	**(80,661)**
		(90,366)
2018		
Total SAR denominated floating rate loan	**+50**	40,492
Total USD denominated floating rate loan	**+50**	74,179
		114,671
Total SAR denominated floating rate loan	**-50**	(40,492)
Total USD denominated floating rate loan	**-50**	(74,179)
		(114,672)

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Euro (EUR), but also US Dollars (USD). The currencies in which these transactions are primarily denominated are EUR, USD, British Pounds, Swiss Franc and Japanese Yen.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the USD towards the EUR. Foreign currency risk mainly arises from commercial transactions. The Company's policy requires to conduct a regular review of currency exposures.

Interest on borrowings is denominated in the currency of the borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table demonstrates the sensitivity of the Company to a reasonably possible change in the Saudi Riyals - EUR exchange rate, with all other variables held constant, of the Company's monetary assets and liabilities:

	Gain (loss) through statement of income and other comprehensive income for the year ended December 31
	EURO
	+/-10%
	SR'000
2019	**1,132**
2018	1,136

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Exposure to foreign currency risk at the end of the reporting year, expressed in SAR '000, was as follows:

	31 December 2019						
	USD	**EUR**	**GBP**	**JPY**	**CHF**	**SAR**	**Total**
	SR'000	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**
Cash and cash equivalents	420,891	-	-	-	-	491,832	**912,723**
Short term investments	420,000	-	-	-	-	-	**420,000**
Trade receivables	2,453,562	-	-	-	-	56,644	**2,510,206**
Advances and otherreceivables from related parties	-	-	-	-	-	106,371	**106,371**
Non-current portion of advances to an associate	-	-	-	-	-	35,135	**35,135**
VAT receivable, net	-	-	-	-	-	16,413	**16,413**
Other financial assets	601	-	-	-	-	2,269	**2,870**
Term loan	(16,062,634)	-	-	-	-	(1,903,582)	**(17,966,216)**
Lease liability	-	-	-	-	-	(388,249)	**(388,249)**
Trade Payables	(314,506)	(11,319)	(109)	(834)	(537)	(136,643)	**(463,948)**
Other financial liabilities	(54,480)	-	-	-	-	(58,544)	**(113,024)**
Total net monetary exposure	**(13,136,566)**	**(11,319)**	**(109)**	**(834)**	**(537)**	**(1,778,354)**	**(14,927,719)**

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

	31 December 2018					
	USD	EUR	GBP	JPY	SAR	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cash and cash equivalents	853,830	-	-	-	1,522,767	2,376,597
Short term investments	1,196,250	-	-	-	750,000	1,946,250
Trade receivables	2,792,892	-	-	-	29,478	2,822,370
Advances and other receivable from related parties	-	-	-	-	145,708	145,708
Current portion of advances to an associate	-	-	-	-	35,135	35,135
VAT receivable, net	-	-	-	-	71,755	71,755
Other financial assets	-	-	-	-	8,609	8,609
Term loan	(14,797,879)	-	-	-	(5,185,731)	(19,983,610)
Subordinated loan from a shareholder	-	-	-	-	(2,735,380)	(2,735,380)
Trade Payables	(462,015)	(11,366)	(166)	(2,055)	(113,224)	(588,826)
Other financial liabilities	(53,016)	-	-	-	(220,644)	(273,660)
Total net monetary exposure	(10,469,938)	(11,366)	(166)	(2,055)	(5,691,527)	(16,175,052)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is not significantly exposed to credit risk. Cash and cash equivalents are generally placed with banks with sound credit ratings and, in general, most of the Company's sales are made to SABIC, which is a shareholder and has strong market reputation**.**

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

31 December 2019

External Rating	**A**	**A-**	**BBB+**	**Other**	**Carrying value in the statement of financial position**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Cash and cash equivalents	912,723	-	-	-	912,723
Short term investments	420,000	-	-	-	420,000
Trade receivables	2,502,670	-	-	13,280	2,515,950
Advances and other receivable from related parties	-	-	-	106,371	106,371
Non-current portion of advances to an associate	-	-	-	35,135	35,135
VAT receivable, net	-	-	-	16,413	16,413
Other financial assets	-	-	-	2,870	2,870
Total	**3,835,393**	**-**	**-**	**174,069**	**4,009,462**

31 December 2018

External Rating	A	A-	BBB+	Other	Carrying value in the statement of financial position
	SR '000	SR '000	SR '000	SR '000	SR '000
Cash and cash equivalents	1,023,661	-	1,352,936	-	2,376,597
Short term investments	1,571,250	375,000	-	-	1,946,250
Trade receivables	-	2,811,160	-	16,897	2,828,057
Advances and other receivable from related parties	-	-	-	145,708	145,708
Current portion of advances to an associate	-	-	-	35,135	35,135
VAT receivable, net				71,755	71,755
Other financial assets	-	-	-	8,609	8,609
Total	2,594,911	3,186,160	1,352,936	278,104	7,412,111

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages its liquidity risk by ensuring that sufficient cash flows are available. The Company's sales invoices are usually settled within 30 to 90 days of the date of the invoices. Payables are normally settled within 30 to 60 days of the date of the invoices.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2019 and 31 December 2018,based on contractual payment dates and current market interest rates.

	31 December 2019			
	Within 1 year	**1 to 5 years**	**> 5 years**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**
Trade payable	463,948	-	-	**463,948**
Other financial liabilities	113,024	-	-	**113,024**
Term loans	1,496,725	10,460,412	6,116,000	**18,073,137**
	2,073,697	**10,460,412**	**6,116,000**	**18,650,109**

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2018			
	Within 1 year	1 to 5 years	> 5 years	Total
	SR '000	SR '000	SR '000	SR '000
Trade payable	588,826	-	-	588,826
Other financial liabilities	273,660	-	-	273,660
Term loans	1,531,713	15,827,123	2,700,451	20,059,287
Subordinated loans from a shareholder	-	1,337,500	1,537,500	2,875,000
	2,394,199	17,164,623	4,237,951	23,796,773

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Capital management

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	2019	*2018*
	SR'000	*SR '000*
Total liabilities	**20,374,930**	24,996,566
Less: cash and cash equivalents	**(912,723)**	(2,376,597)
Net debt	**19,462,207**	22,619,969
Equity	**14,952,865**	15,698,360
Less: amount directly accumulated in equity relating to fair value adjustments	**(620,874)**	(620,874)
Adjusted equity	**14,331,991**	15,077,486
Capital and Net debt	**33,794,198**	37,697,455
Gearing ratio	**58%**	60%

38 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2019 that would have a material impact on the financial position of the Company as reflected in these financial statements.

39 BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of directors on 20 February 2020 (corresponding to 26 Jumada II 1441H).

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.