

**NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED) TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2020**

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

| INDEX | PAGE |
|--|-------------|
| Independent auditor's review report on condensed consolidated interim financial statements | 1 |
| Condensed consolidated interim statement of financial position | 2 |
| Condensed consolidated interim statement of profit or loss and other comprehensive income | 3 |
| Condensed consolidated interim statement of changes in equity | 4 |
| Condensed consolidated interim statement of cash flows | 5 |
| Notes to the condensed consolidated interim financial statements (unaudited) | 6 – 15 |

**INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The shareholders
Nama Chemicals Company
(A Saudi Joint Stock Company)
Jubail Industrial City - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Nama Chemicals Company ("the Company") (a Saudi joint stock company) and its subsidiaries (collectively referred to as "the Group") as of September 30, 2020, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months periods then ended, the condensed consolidated interim statement of changes in equity and cash flows for the nine months periods then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

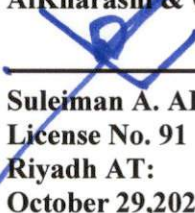
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter - Material uncertainty related to going concern

We draw attention to Note 1 to the condensed consolidated financial statements, which states that the accompanying condensed consolidated financial statements have been prepared assuming that the group will continue as a going concern. As at September 30, 2020, the current liabilities of the Group exceeded its current assets by SR 668.04 million (December 31, 2019: SR 644.76 million) mainly on account of current portion of SIDF's long term loan amounting to SR 591.3 million (December 31, 2019: SR 591.3 million). Additionally, the group was in breach of its loans financial covenants. On October 25, 2018, the Group received a letter from Saudi Industrial Development Fund (SIDF) stating that the fund has rejected NAMA's request for restructuring of its loans. However subsequently after performing an extensive due diligence with a third party, SIDF has resumed negotiations for re-scheduling the loans. Management is confident that the Group will ultimately be successful in the restructuring of SIDF loan and resolving the breach. Accordingly, the accompanying condensed consolidated financial statements are prepared on going concern basis and the loans are continued to be classified as per their original terms of repayment. Our review conclusion is not modified in respect of this matter.

Alkharashi & Co.


Suleiman A. AL-Kharashi
License No. 91
Riyadh AT:
October 29, 2020
Rabi I 1442



NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|------|--------------------------------------|-----------------------------------|
| ASSETS | | | |
| Non- current assets: | | | |
| Property, plant and equipment | 4 | 687,136 | 725,840 |
| Investment properties | | 71,879 | 73,538 |
| Investments at fair value through other comprehensive income | 10 | 117,694 | 112,080 |
| Employees' home ownership program | | 178,434 | 183,732 |
| | | <u>1,055,143</u> | <u>1,095,190</u> |
| Current assets: | | | |
| Inventories | | 75,493 | 59,947 |
| Trade receivables | | 86,040 | 98,007 |
| Advances, prepayments and other receivables | | 24,341 | 19,279 |
| Employees' home ownership program | | 6,430 | 5,798 |
| Cash and cash equivalents | | 10,747 | 24,381 |
| | | <u>203,051</u> | <u>207,412</u> |
| Total Assets | | <u>1,258,194</u> | <u>1,302,602</u> |
| EQUITY AND LIABILITIES | | | |
| Equity: | | | |
| Share capital | 1 | 235,200 | 235,200 |
| Other reserves | | 90,356 | 84,763 |
| Accumulated losses | | (31,202) | (10,633) |
| Treasury shares | | (2,911) | (2,911) |
| | | <u>291,443</u> | <u>306,419</u> |
| LIABILITIES: | | | |
| Non-current liabilities | | | |
| Long term loans | 5 | 40,732 | 82,054 |
| Employees' end of service benefits | | 43,554 | 42,521 |
| Accrued expenses and other liabilities | | - | 6,323 |
| Lease liabilities | 6 | 11,375 | 13,115 |
| | | <u>95,661</u> | <u>144,013</u> |
| Current liabilities | | | |
| Long term loans | 5 | 666,610 | 647,243 |
| Short term loans | 5 | 43,020 | 47,518 |
| Trade and other payables | | 74,472 | 74,835 |
| Accrued expenses and other liabilities | | 85,335 | 80,987 |
| Lease liabilities | 6 | 1,653 | 1,587 |
| | | <u>871,090</u> | <u>852,170</u> |
| Total liabilities | | <u>966,751</u> | <u>996,183</u> |
| Total Equity and Liabilities | | <u>1,258,194</u> | <u>1,302,602</u> |


Chief Financial Officer


Chief Executive Officer


Chairman

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | Period from July 1 to September 30, | | Period from January 1 to September 30, | |
|-------------------------------------|------|--|---------------------|---|---------------------|
| | | 2020 (Unaudited) | 2019 (Unaudited) | 2020 (Unaudited) | 2019 (Unaudited) |
| Sales | 9 | 99,951 | 119,478 | 324,518 | 401,944 |
| Cost of sales | | (96,893) | (106,993) | (300,399) | (344,219) |
| Gross profit | | 3,058 | 12,485 | 24,119 | 57,725 |
| Selling and distribution expenses | | (7,142) | (7,263) | (19,754) | (24,757) |
| General and administrative expenses | | (7,711) | (8,061) | (21,836) | (26,960) |
| Operating (loss) / profit | | (11,795) | (2,839) | (17,471) | 6,008 |
| Finance charges | | (3,696) | (6,341) | (12,560) | (19,528) |
| Investment income, net | | 2,506 | 3,415 | 6,026 | 7,527 |
| Other income, net | | 3,710 | 614 | 6,552 | 80 |
| (Loss) before zakat | | (9,275) | (5,151) | (17,453) | (5,913) |
| Zakat | | (630) | (1,243) | (3,116) | (3,729) |
| Net (loss) for the period | | (9,905) | (6,394) | (20,569) | (9,642) |

Other comprehensive income

Items that will not be reclassified to
profit or loss:

Change in fair value of equity
instruments at fair value through other
comprehensive income

10

| | | | |
|--------|----------|-------|----------|
| 15,038 | (20,451) | 5,614 | (20,651) |
| (17) | (20) | (21) | (34) |

Items that may be reclassified to profit or
loss:

Exchange differences on translation of
foreign operations

Total other comprehensive income / (loss)
for the period

| | | | |
|--------|----------|-------|----------|
| 15,021 | (20,471) | 5,593 | (20,685) |
|--------|----------|-------|----------|

Total comprehensive income / (loss) for
the period

| | | | |
|-------|----------|----------|----------|
| 5,116 | (26,865) | (14,976) | (30,327) |
|-------|----------|----------|----------|

(Loss) per share:

| | | | | | |
|-----------|----|--------|--------|--------|--------|
| - Basic | 11 | (0.42) | (0.27) | (0.88) | (0.41) |
| - Diluted | 11 | (0.42) | (0.27) | (0.87) | (0.41) |


Chief Financial Officer


Chief Executive Officer


Chairman

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020
 (All amounts in Saudi Riyals thousands unless otherwise stated)

| | Share Capital | Other reserves | Accumulated losses | Treasury Shares | Total |
|--|------------------|-------------------|-----------------------|--------------------|----------------|
| Balance at January 1, 2019 (Audited) | 235,200 | 118,084 | (20,087) | (2,911) | 330,286 |
| Net loss for the period | - | - | (9,642) | - | (9,642) |
| Other comprehensive loss for the period | - | (20,685) | - | - | (20,685) |
| Total comprehensive loss for the period | - | (20,685) | (9,642) | - | (30,327) |
| Balance at September 30, 2019 (Unaudited) | <u>235,200</u> | <u>97,399</u> | <u>(29,729)</u> | <u>(2,911)</u> | <u>299,959</u> |
| Balance at January 1, 2020 (Audited) | 235,200 | 84,763 | (10,633) | (2,911) | 306,419 |
| Net loss for the period | - | - | (20,569) | - | (20,569) |
| Other comprehensive income for the period | - | 5,593 | - | - | 5,593 |
| Total comprehensive loss for the period | - | 5,593 | (20,569) | - | (14,976) |
| Balance at September 30, 2020 (Unaudited) | <u>235,200</u> | <u>90,356</u> | <u>(31,202)</u> | <u>(2,911)</u> | <u>291,443</u> |


 Chief Financial Officer


 Chief Executive Officer


 Chairman

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | September 30, 2020 (Unaudited) | Adjusted September 30, 2019 (Unaudited) |
|--|--------------------------------------|--|
| Cash Flows From Operating Activities | | |
| Net loss for the period | (20,569) | (9,642) |
| Adjustments for: | | |
| Depreciation and amortization | 42,723 | 46,573 |
| Provision for zakat | 3,116 | 3,729 |
| Dividend income | (6,015) | (7,519) |
| Reversal in provision for inventory | - | (16) |
| Finance charges | 12,560 | 19,528 |
| Amortisation of advance rent | (15,525) | (15,525) |
| Settlement of long-term prepaid employee benefits | 4,588 | 3,712 |
| Loss on transfer of investment property to HOP program | - | 2,567 |
| Loss on disposal of property, plant and equipment | 121 | - |
| Provision for employees' end of service benefits | 2,447 | 4,733 |
| | 23,446 | 48,140 |
| Working capital adjustments: | | |
| Inventories | (15,545) | 19,688 |
| Trade receivables | 11,967 | 23,874 |
| Advances, prepayments and other assets | (5,061) | (6,516) |
| Trade and other payables | (362) | 659 |
| Accrued expenses and other liabilities | 10,436 | 6,862 |
| Cash generated from operations | 24,881 | 92,707 |
| Finance charges paid | (11,032) | (21,321) |
| Employees' end of service benefits paid | (1,414) | (727) |
| Zakat paid | (4) | (4,917) |
| Net cash generated from operating activities | 12,431 | 65,742 |
| Cash Flows From Investing Activities | | |
| Dividend income received | 6,015 | 7,519 |
| Additions to property, plant and equipment | (2,835) | (5,242) |
| Proceeds from disposal of PPE | 431 | - |
| Net cash generated from investing activities | 3,611 | 2,277 |
| Cash Flows From Financing Activities | | |
| Changes in short term loans | (4,125) | (5,027) |
| Repayment of long term loans | (23,856) | (40,918) |
| Repayment of lease liability-net | (1,674) | - |
| Net cash used in financing activities | (29,655) | (45,945) |
| Net change in cash and cash equivalents | (13,613) | 22,074 |
| Exchange differences on translation of foreign operations | (21) | (34) |
| Cash and cash equivalents at the beginning of the period | 24,381 | 19,388 |
| Cash and cash equivalents at the end of the period | 10,747 | 41,428 |
| Non cash transactions: | | |
| Change in fair value of investments | 5,614 | (20,651) |
| Recognition of right of use asset on adoption of IFRS 16 | - | 16,720 |
| Transfer of investment property to long term prepaid employees' benefits | 12,493 | 8,949 |


Chief financial Officer


Chief Executive Officer


Chairman

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

1. ORGANIZATION AND ACTIVITIES

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration Number 2055007420. The registered office of the Company is situated in Al- Jubail, Kingdom of Saudi Arabia. The share capital of the Company amounts to SR 235.2 million divided into 23.52 million shares of SR 10 each.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields and engaged in real estate operations.

The Company's registered address is P.O. Box 11919, Jubail Industrial City 31961, Kingdom of Saudi Arabia.

These condensed consolidated financial statements have been prepared assuming that the group will continue as a going concern. As at September 30, 2020, the current liabilities of the Group exceeded its current assets by SR 668.04 million (December 31, 2019: SR 644.76 million) mainly on account of current portion of SIDF's long term loan amounting to SR 591.3 million (December 31, 2019: SR 591.3 million). On October 25, 2018, the Group received a letter from Saudi Industrial Development Fund (SIDF) stating that the fund has rejected NAMA's request for restructuring of its loans. However subsequently after performing an extensive due diligence with a third party, SIDF has resumed negotiations for re-scheduling the loans. Management is confident that the Group will ultimately be successful in the restructuring of SIDF loans.

The Group management has performed an assessment of its ability to continue as going concern based on which it has concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. In performing the assessment, the management has considered following significant assumptions:

- a. The breach of financial covenants would not have impacted the rescheduling of loan;
- b. The Group does not expect call of guarantees in respect of the borrowing facilities of subsidiaries. The Group management has relied on the fact that no default of scheduled payments to lender has been made;
- c. The Group does not expect to incur all capital expenditure commitments in next twelve months.

As at September 30, 2020, the accumulated losses of one of the subsidiaries, JANA, has reached to more than 50% of its share capital. The shareholders of JANA in 2019 had resolved to continue JANA and to provide it with the necessary financial support as deemed required. Further, the Group has not complied with the covenants requirements of its loan agreements to maintain certain financial ratios. However, the management is in the process of taking necessary remedial actions in this regard. Management believes that the Group will be successful in resolving the breach in near future. Accordingly, these loans are continued to be classified as per the original terms of repayment (Note 5).

1.1 Structure of the group

The condensed consolidated interim financial statements include the financial statements of the Group and the following subsidiaries:

Al-Jubail Chemical Industries Company ("JANA"), a limited liability Company, is owned 95% by NAMA and 5% by NAMA Industrial Investment Company, a subsidiary of NAMA.

1. ORGANIZATION AND ACTIVITIES (Continued)

1.1 Structure of the group (Continued)

Arabian Alkali Company ("SODA"), a limited liability Company, is owned 90% by NAMA and remaining 10% by JANA.

NAMA Industrial Investment Company, a limited liability Company, is owned 95% by NAMA and 5% by SODA.

NAMA Europa GMBH, a limited liability Company incorporated in Switzerland, is owned 99% by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide - CH-036.4.041.685-8.

NAMA Germany GMBH, a limited liability Company incorporated in Germany, is fully owned by NAMA Europa GMBH.

NAMA has effectively 100% ownership in these subsidiaries. The above wholly owned subsidiaries, including their assets, liabilities and results of operations are included in the accompanying condensed consolidated interim financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements for the three months and nine months period ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2019.

2.2 Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are prepared under the historical cost convention, as modified for financial assets at fair value through other comprehensive income and by using the actuarial basis for employees' end of service benefits, on the accrual basis of accounting. The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019.

The preparation of these condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR), which is the functional and presentation currency of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Group:

3.1 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Group detailed in note 1.1. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.2 New Standards, Amendments to Standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020:

- i- The definition of materiality (Amendments to IAS 1 and IAS 8)
- ii- The definition of a business (Amendments to IFRS 3)
- iii- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments do not have a material effect on the Group's interim condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Use of Judgments and Estimates:

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual audited Consolidated Financial Statements.

However, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of the Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

Further, during the current period, management carried out an internal assessment of the Employees' home ownership program (HOP) for the portion of deferred cost to be amortized in future years. Management has estimated that the best possible estimate is to amortize the deferred cost portion in 20 years instead of 5 years which is in line with the ownership housing policy. The financial impact of the increase in remaining useful life for deferred cost for the nine months' period ended September 30, 2020 is as follows:

| Assets category | Estimated useful life until March 2020 (Years) | Revised estimated useful life for the nine months period ended 30 September 2020 (Years) | Decrease in amortization expense via change in estimate (SR '000') |
|-----------------|--|--|--|
| Deferred cost | 5 | 20 | 11,663 |

4. PROPERTY, PLANT AND EQUIPMENT

Carrying amounts of:

| | Note | September 30, 2020 (Un-audited) SR | December 31, 2019 (Audited) SR |
|------------------------|------|---|---|
| Operating fixed assets | 4.1 | 674,319 | 711,350 |
| Right of use assets | 4.2 | 12,817 | 14,490 |
| | | <u>687,136</u> | <u>725,840</u> |

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

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT (Continued):

4.1 Operating fixed assets

| | September 30, 2020 (Un-audited) SR | December 31, 2019 (Audited) SR |
|---|---|---|
| Net book value at beginning of period / year | 711,350 | 753,654 |
| Additions during the period / year | 2,835 | 8,764 |
| Disposals during the period / year | (822) | (3,695) |
| Depreciation charge during the period / year | (39,314) | (46,019) |
| Depreciation transferred to disposal during the period / year | 270 | 3,324 |
| Impairment charge during the period / year | - | (4,678) |
| Net book value at the end of the period / year | <u>674,319</u> | <u>711,350</u> |

4.2 Right of use

Property, plant and equipment include the following right of use assets relate to Group's leases:

| | September 30, 2020 (Un-audited) SR | December 31, 2019 (Audited) SR |
|-----------------------------|---|---|
| Right of use assets: | | |
| Lands | 11,317 | 12,451 |
| Pipeline | 874 | 1,139 |
| Vehicles | 626 | 900 |
| | <u>12,817</u> | <u>14,490</u> |

Movement in right of use is as follows:

| | September 30, 2020 (Un-audited) SR |
|------------------------------------|---|
| Balance as of January 1, 2020 | 14,490 |
| Depreciation for the period | <u>(1,673)</u> |
| Closing balance as at Sep.30, 2020 | <u>12,817</u> |

5. LOANS

Short term loans

JANA, one of the subsidiaries of the Group, obtained bank facilities from local banks for short-term loans and letters of credits. These facilities bear interest at rate based on SIBOR plus a margin. These facilities are secured by a corporate guarantee from NAMA.

5. LOANS (Continued):

Long term loans

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--------------------------------------|-----------------------------------|
| SIDF Loan (note 5.1) | 594,337 | 592,549 |
| Tawarruq financing (note 5.2) | 84,000 | 90,319 |
| Murabaha loans (note 5.3) | 29,005 | 46,429 |
| | 707,342 | 729,297 |
| Less: current portion | (666,610) | (647,243) |
| Long term loans – non-current portion | 40,732 | 82,054 |

5.1 SIDF Loan

During the year 2018, the Group received a demand letter from SIDF for the payment of its outstanding balance. The entire loan is being shown as current based on the original repayment schedule according to which the last installment was due in June 2020. The management of the Group is currently in the process of negotiating for the restructuring of the loan with SIDF. Management believes that the Group will be successful in restructuring of SIDF loan in the near future.

SIDF loan covenants include maximum limits for capital expenditure and maintenance of certain financial ratios during the period of the loan. The loan is secured against the mortgage of the property, plant and equipment of JANA.

5.2 Tawarruq financing

This loan is obtained from Jazira Bank and was initially repayable in 57 equal monthly installments of SR 2.7 million starting from January 31, 2018. However, in May 2020 the bank agreed to postpone the repayment of 6 installments and also revised the installment amounts as Covid-19 support. The bank loan covenants include maintenance of certain financial ratios during the period of the loan. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

5.3 Murabaha loans

This loan includes two loan tranches obtained from Alawwal Bank. The first tranche is repayable in 47 equal monthly installments of SR 0.75 million starting from March 26, 2018. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

The second Alawwal Bank tranche is repayable in 47 equal monthly installments of SR 1.06 million starting from March 12, 2018. The bank loan covenants include maintenance of certain financial ratios during the period of the loans. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

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

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. LEASE LIABILITIES

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Balance at the beginning of period / year | 14,702 | 16,183 |
| Interest accrued during the period / year | 603 | 896 |
| Liabilities paid during the period / year | (2,277) | (2,377) |
| Balance at the end of period / year | 13,028 | 14,702 |
| Less: current lease liabilities | (1,653) | (1,587) |
| Non-current lease liabilities | 11,375 | 13,115 |

7. CONTINGENCIES AND COMMITMENTS

The Group's outstanding contingencies and commitments were as follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|----------------------|--------------------------------------|-----------------------------------|
| Letters of credit | 10,476 | 17,608 |
| Letters of guarantee | 9,345 | 8,845 |

8. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of subsidiaries, affiliates, Board of Directors, and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group's management.

Transactions with key management personnel are as follows:

| | For the three months ended September 30, 2020 (Unaudited) | For the three months ended September 30, 2019 (Unaudited) | For the nine months ended September 30, 2020 (Unaudited) | For the nine months ended September 30, 2019 (Unaudited) |
|------------------------------------|--|--|---|---|
| Short term benefits | 862 | 680 | 2,362 | 2,579 |
| Employees' end of service benefits | 36 | 71 | 108 | 244 |
| Board remuneration | 485 | 255 | 1,225 | 765 |
| | 1,383 | 1,006 | 3,695 | 3,588 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's sales, net loss, assets and liabilities, by business segment, are as follows:

| | Epoxy resin products | Chlor Alkali products | Others | Inter-Group eliminations | Total |
|--|-------------------------|--------------------------|---------|-----------------------------|-----------|
| For the nine months' period ended September 30, 2020 - (Unaudited) | | | | | |
| Revenue | 194,036 | 119,261 | 15,639 | (4,418) | 324,518 |
| Net (loss) / profit for the period | (13,927) | (13,514) | 7,214 | (342) | (20,569) |
| As of September 30, 2020 – (Unaudited) | | | | | |
| Total assets | 505,796 | 513,122 | 239,276 | - | 1,258,194 |
| Total liabilities | 365,978 | 462,589 | 138,184 | - | 966,751 |

| | Epoxy resin products | Chlor Alkali products | Others | Inter-Group eliminations | Total |
|---|----------------------------|--------------------------|---------|-----------------------------|-----------|
| For the nine months period ended September 30, 2019 – (Unaudited) | | | | | |
| Revenue | 224,518 | 174,801 | 15,653 | (13,028) | 401,944 |
| Net (loss) / profit for the period | (26,257) | 18,461 | 3,755 | (5,601) | (9,642) |
| As of September 30, 2019 – (Unaudited) | | | | | |
| Total assets | 514,833 | 580,832 | 240,056 | - | 1,335,721 |
| Total liabilities | 387,058 | 477,096 | 171,608 | - | 1,035,762 |

Reconciliation of net (loss) / profit of operating segments

| | September 30, 2020 (Unaudited) | September 30, 2019 (Unaudited) |
|----------------------------------|--------------------------------------|--------------------------------------|
| Segment profit | (20,227) | (4,041) |
| Inter-segment profit elimination | (342) | (5,601) |
| Net (loss) for the period | (20,569) | (9,642) |

Geographical Information

The geographic information analyses the Group's revenue and non-current assets by the Group's country of domicile and other countries.

| | September 30, 2020 (Unaudited) | September 30, 2019 (Unaudited) |
|-----------------|--------------------------------------|--------------------------------------|
| Sales | | |
| Saudi Arabia | 155,858 | 167,627 |
| Other countries | 168,660 | 234,317 |
| Total Revenue | 324,518 | 401,944 |

All non-current operating assets of the Group are located in Kingdom of Saudi Arabia.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying value | Fair value | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------|-------------------|--------------|--------------|------------|------------|--------------|
| <u>September 30, 2020</u> | | | | | | |
| Financial assets – (Unaudited) | | | | | | |
| Investments – FVTOCI | 117,694 | 117,694 | 117,694 | - | - | 117,694 |
| <u>December 31, 2019</u> | | | | | | |
| Financial assets - (Audited) | | | | | | |
| Investments – FVTOCI | 112,080 | 112,080 | 112,080 | - | - | 112,080 |
| Net change in fair value | 5,614 | 5,614 | 5,614 | - | - | 5,614 |

11. LOSS PER SHARE

| | For the nine months ended September 30, 2020 (Unaudited) | For the nine months ended September 30, 2019 (Unaudited) |
|---|--|--|
| Net Loss for the period attributable to the shareholders of the Group | (20,569) | (9,642) |
| Average number of ordinary shares for the purposes of basic loss (in thousands) | 23,355 | 23,355 |
| Average number of ordinary shares for the purposes of diluted loss (in thousands) | 23,520 | 23,520 |
| Loss per share | | |
| Basic loss per share | (0.88) | (0.41) |
| Diluted loss per share | (0.87) | (0.41) |

Reconciliation between basic and dilute number of shares is as follows;

| | For the nine months ended September 30, 2020 (Unaudited) | For the nine months ended September 30, 2019 (Unaudited) |
|---|--|--|
| Ordinary shares for the purposes of basic loss per share (in thousands) | 23,355 | 23,355 |
| Add: Treasury shares | 165 | 165 |
| Shares for the purposes of diluted loss per share (in thousands) | 23,520 | 23,520 |

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

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group closely monitors its liquidity position and deploys a robust cash management system.

13. CAPITAL AND RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital employed comprises shareholders' equity as shown in the consolidated statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent). The salient information relating to capital risk management of the Group as of September 30, 2020 is as follows;

The calculation of net debt was as follows;

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---------------------------|--------------------------------------|-----------------------------------|
| Cash and cash equivalents | (10,747) | (24,381) |
| Borrowings | 750,362 | 776,815 |
| Lease liabilities | 13,028 | 14,702 |
| Net debt | 752,643 | 767,136 |

At the statement of financial position date, gearing ratio analysis by the management was as follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|------------------------------|--------------------------------------|-----------------------------------|
| Total debt | 750,362 | 776,815 |
| Less: Cash and bank balances | (10,747) | (24,381) |
| Net debt | 739,615 | 752,434 |
| Total Equity | 291,443 | 306,419 |
| Total capital employed | 1,031,058 | 1,058,853 |
| Gearing ratio | 72% | 71% |
| Net debt to equity ratio | 254% | 246% |

14. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved and authorized for issue by the Group's Board of Directors on October 29, 2020.

15. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date and before the issuance of these condensed consolidated interim financial statements which requires adjustment to, or disclosure.