NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

NAMA CHAMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Nama Chemicals Company (a Saudi Joint Stock Company) ("the Company or NAMA") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which states that the accompanying consolidated financial statements have been prepared assuming that the group will continue as a going concern. As at December 31, 2020, the accumulated losses of one of the subsidiaries in the Group, JANA, has reached to more than 100% of its share capital. The shareholders of JANA has resolved on 02 March, 2021 corresponding to 19/07/1442 H to continue JANA and to provide it with the necessary financial support as deemed required. Further, as at December 31, 2020, the current liabilities of the Group exceeded its current assets by SR 698.93 million (December 31, 2019: SR 645.47 million) mainly on account of current portion of Saudi Industrial Development Fund ("SIDF" or "the Fund") long term loan amounting to SR 596.3 million (December 31, 2019: SR 592.5 million). Additionally, the group was in breach of its loans financial covenants. On October 25, 2018, the Group received a letter from SIDF stating that the fund has rejected the Group's request for restructuring of its loans. Subsequently the fund has performed an extensive due diligence on the Group with a third party. During the year ended December 31, 2019, SIDF has accepted to resume negotiation for rescheduling the loans. Management is confident that the Group will ultimately be successful in restructuring of the SIDF loans and resolving the breach. Accordingly, the accompanying consolidated financial statements are prepared on going concern basis and the loans are continued to be classified as per their original terms of repayment. This creates material uncertainty related to the going concern.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed an Unmodified opinion on those financial statements on March 25, 2020 (Corresponding to Shahban 01, 1441 H).

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders
Nama Chemicals Company
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Jubail Industrial City - Kingdom of Saudi Arabia

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter listed below, our description on how our audit have addressed this matter is set below:

Key audit matter	How the matter was addressed in our audit
1) Initial Audit Engagements - Opening balances -	
Auditors are responsible under ISA 510 to obtain sufficient appropriate audit evidence that the opening balances are devoid of any material misstatements and prior year accounting policies are consistently applied in the current period's financial statements or changes thereto are appropriately accounted for and adequately presented. The review of opening balances is considered a key audit matter.	We have performed below procedures for validation of opening balances: • Review of most recent financial statements and the predecessor audit report including disclosures. • Check that the prior year closing balance have been correctly brough forward and whether the opening balances reflect the application of appropriate accounting policies. • Request management to authorize the predecessor auditor to allow a review of the predecessor auditor's audit documentation and perform review of the predecessor auditor's working papers. • Performed specific audit procedures to obtain evidence regarding opening balances
2) Borrowings – Compliance with loans covenants The Group has loans as at December 31, 2020 amounting to SR 740.25 million (2019: SR 776.8 million) out of which SR 662.9 million is payable within 1 year (2019: SR 647.2 million). These loans are subject to compliance with certain loans covenants, which includes maintenance of certain financial ratios and other conditions. We considered borrowings of the Group as a key audit matter due to the requirements to comply with above mentioned covenants and the significance of the balances reflected in the consolidated statement of financial position. Refer to note 1 and 16 to the consolidated financial statements for the status of Group's borrowing with regards to compliance with covenants.	We have performed the following procedures for assessing the Group's compliance with loans covenants: • Obtained loan agreements and understood the key terms and condition of loan including loan covenants, • Checked the accuracy of the current and non-current maturity of loans as presented in these consolidated financial statements in accordance with loans terms and conditions, • Obtained and agreed borrowing confirmation to the balances appearing in the consolidated statement of financial position, • Assessed the compliance with loan covenants, • Reviewed the adequacy of the related disclosures as presented in the accompanying consolidated financial statements, and • Reviewed correspondence with the lending banks and SIDF.

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders
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Key audit matter	How the matter was addressed in our audit
3) Impairment of property, plant and equipment	
Operating fixed assets amounted to SR 718.39 million (2019: SR 767.06 million) which represents 56% (2019: 58%) of the total assets of the Group as of December 31, 2020. Management conducted impairment review of operating fixed assets as of year end to assess whether there is any indication of potential impairment. This review has resulted in an indication of impairment for one of its subsidiary. Management has oppointed an independent specialist to conduct impairment review for this subsidiary. This review prepaired by using valuation methods to determine the expected recoverable amounts of its assets. Such methods include assumptions related to future sales volume, prices, operating assets, growth rates, terminal value and other related assumptions. We considered this as a key audit matter due to significant judgements and key assumptions involved in the impairment assessment process. Refer note 3 to the consolidated financial statements for the accounting policy related to impairment of non-current assets.	We have performed the following procedures for assessing the impairment of operating fixed assets: • Evaluated key assumptions used by the management, • Reviewed the independent specialist valuation report for the reasonableness of the valuation methodology of operating fixed assets analysis prepared by the management. As part of our review, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and assessed the sensitivity analysis on key assumptions, • Compared key assumptions against historical trends and business plans as applicable. Additionally, we reviewed and assessed the future business plans both from internal and external perspectives, and compared forecast to historical trends, • Checked the accuracy and completeness of the information produced by management, that was used as the basis of impairment assessment, and • Considered the adequacy of the group's disclosures as presented in the accompanying consolidated financial statements in accordance with applicable accounting standards.
4) Revenue recognition	
The Group has recognized revenue of Saudi Riyals 439.244 million during the year ended December 31, 2020. The revenue earned is recognized at point in time when control over goods is transferred to the customer generally on delivery of goods to the customers. Accordingly this requires management to establish the fact that control over goods is transferred at the time of dispatch in accordance with IFRS 15. The terms that define when control are transferred to the customer as well as high volume and value of transactions give rise to the risk that revenue is not recognized in the correct time and period. Accordingly due to the significant risk associated with revenue recognition in accordance with terms of IFRS 15 'Revenue from contracts with customers' it was considered as a key audit matter	Our audit procedures to assess the recognition of revenue included the following: • Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15; • Assessed the design and implementation of internal controls related to revenue recognition; • Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. Further, in respect of the samples tested we checked that the revenue has been recognized as per contractual terms; • Performed revenue analysis in order to establish any unusual trends; • Selected sample of transactions performed pre and post year end agreeing the period of revenue recognition validating the delivery notes and customer acknowledgement on delivery.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How the matter was addressed in our audit
5) Impairment review trade receivables (ECL)	
As as December 31, 2020, the Group's gross trade receivable balance was SR 88.19 million (2019: SR 98.01 million) with an impairment loss provision of SR 0.7 (2019: 6.2 million) million at the year end. The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit-impaired. The Group's management has applied a simplified expected credit loss ('ECL') model to determine the allowance for impairment of trade receivables. The ECL model involves the use of variance assumptions , macrro-economic factors and study of historical trends relating to Group trade receivables collection experience. We considered this as a key audit matter as management applies significant judgements in determining an appropriate impairment loss allowance for trade receivables.	Our audit procedures related to impairment loss on trade receivables included the following: • Assessed the design and implementation and tested the operative effectiveness of key controls related to Group' s processes over establishing and monitoring the impairment • Tested key assumptions including those used to calculate the likelihood of default, by comparing to historical data and challenge these assumptions. We also considered the incorporation of forward looking macro economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model. • Assessed the adequacy of the Group's disclosures in terms of applicable accounting standards.
6) Attendance at inventory counts	
As disclosed in note 9, carrying value of stock in trade amounted to Saudi Riyals 72.7 million. In response to the spread of Covid 19 in Kingdom of Saudi Arabia, the Group implemented strict biosecurity and hygiene measures on its inventory locations by minimizing the staff, restricting movements and increasing the duration of the physical stock count. Due to significance of inventory balances and the related estimations involved, and since attendance at inventory counts is mandatory under International Standards on Auditing, the above is considered as a key audit matter.	Our procedures to assess the existence and valuation of inventory included the following: • Attended physical inventory counts performed by the Group; • Assessed the completeness and sufficiency of disclosures relating to the inventories in the consolidated financial statements • Making sure that all the inventory adjustments are recorded in the consolidated financial statements • Assessed the implications of Covid 19 on management's responses and controls for inventory counts subject to restrictions on the inventory site. • Assessed whether there was any indication of increased risk of fraud or error due to the restrictions.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
When we read the annual report, and we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders
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Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, as 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements (Continued)

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Al-Kharashi Co.

Sulieman A. Al-Kharashi
License No. (91)

الخـــراشـــي وشـــركـاه
محاسبون ومراجعون قانونيون
ترخيص : ٥٣٦ Lic.: 536
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
Shah'ban 16,1442H
March 29, 2021G

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2020	December 31, 2019 (Restated)	January 01, 2019 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	718,387	767,059	804,924
Deferred cost	8	38,471	37,546	37,066
Investment properties	6	71,326	73,538	75,751
Investments at fair value through other comprehensive income	7	128,120	112,080	127,919
Long term prepaid employees' benefit	8	117,582	114,592	112,989
Total non-current assets		1,073,886	1,104,815	1,158,649
Current assets				
Inventories	9	72,698	59,947	85,939
Long Term Prepaid Employees' Benefit – Current Portion	8	5,475	5,086	5,250
Trade receivables	10	88,190	98,007	112,397
Advances, prepayments and other receivables	11	26,182	19,279	21,166
Cash and cash equivalents	12	6,163	24,381	19,388
Total current assets		198,708	206,700	244,140
TOTAL ASSETS		1,272,594	1,311,515	1,402,789
EQUITY AND LIABILITIES				
Equity				
Share capital	13	235,200	235,200	235,200
Other reserves	14	101,298	84,763	109,806
Accumulated losses		(46,968)	(1,721)	(11,809)
Treasury shares	15	(2,911)	(2,911)	(2,911)
Total equity		286,619	315,331	330,286
LIABILITIES				
Non-current liabilities				
Long term loans – non-current portion	16.2	33,443	82,054	136,611
Employees' end of service benefits	17	43,654	42,521	46,537
Lease Liabilities - non-current	18	11,236	13,115	-
Accrued expenses and other liabilities – non-current portion	19	-	6,323	27,042
Total non-current liabilities		88,333	144,013	210,190
Current liabilities				
Long term loans – current portion	16.2	662,970	647,243	650,600
Short term loans	16.1	43,840	47,518	50,767
Lease Liabilities – current	18	1,678	1,587	
Trade and other payables		109,140	74,835	66,853
Provision for zakat	23.2	29,534	29,538	29,487
Accrued expenses and other liabilities – current portion	19	50,480	51,450	64,606
Total current liabilities		897,642	852,171	862,313
Total liabilities		985,975	996,184	1,072,503
TOTAL EQUITY AND LIABILITIES		**1,272,594**	**1,311,515**	**1,402,789**
Contingencies and commitments	29			

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
			(restated)
Revenue from contracts with customers	20	439,244	525,941
Cost of revenue	21.1	(418,073)	(452,005)
Gross profit		21,171	73,936
Selling and distribution expenses	21.2	(26,658)	(32,595)
General and administrative expenses	21.3	(32,989)	(19,121)
Operating (loss) / profit		(38,476)	22,220
Finance cost, net	21.4	(17,383)	(23,024)
Investment income, net	22.1	6,026	7,527
Miscellaneous income, net	22.2	8,740	8,338
(Loss) / profit before zakat		(41,093)	15,061
Zakat	23	(4,154)	(4,973)
Net (loss) / profit for the year		(45,247)	10,088
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss			
Change in fair value of equity instruments at fair value through other comprehensive income	7	16,040	(15,839)
Re-measurement gain / (loss) on employees' end of service benefits	17	455	(9,201)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		40	(3)
Other comprehensive income / (loss) for the year		16,535	(25,043)
Total comprehensive (loss) for the year		(28,712)	(14,955)
Earnings per share			
- Basic	24	(1.937)	0.432
- Diluted	24	(1.924)	0.429
Weighted average number of shares outstanding:			
- Basic ('000')		23,355	23,355
- Diluted ('000')		23,520	23,520

Chief Financial Officer	Chief Executive Officer	Chairman

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share Capital	Other reserves	Accumulated losses	Treasury Shares	Total equity
Balance at January 1, 2019 (restated)	30	**235,200**	**109,806**	**(11,809)**	**(2,911)**	**330,286**
Net profit for the year (restated note)		-	-	10,088	-	10,088
Other comprehensive income for the year		-	(25,043)	-	-	(25,043)
Total comprehensive income for the year		-	(25,043)	10,088	-	(14,955)
Balance at December 31, 2019		**235,200**	**84,763**	**(1,721)**	**(2,911)**	**315,331**
Balance at January 1, 2020		**235,200**	**84,763**	**(1,721)**	**(2,911)**	**315,331**
Net loss for the year		-	-	(45,247)	-	(45,247)
Other comprehensive loss for the year		-	16,535	-	-	16,535
Total comprehensive loss for the year		-	16,535	(45,247)	-	(28,712)
Balance at December 31, 2020		**235,200**	**101,298**	**(46,968)**	**(2,911)**	**286,619**

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

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

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	2020	2019 (restated)
Cash flows from operating activities		
Loss / profit before zakat for the year	(41,093)	15,061
Adjustments for:		
Depreciation on operating fixed assets	53,560	53,803
Depreciation on right of use assets	2,230	3,149
Depreciation on investment property	2,212	2,212
Impairment during the year	-	4,678
Finance cost, net	16,008	19,033
Allowance for impairment of trade receivables	(5,467)	1,996
Reversal of provision for slow moving and obsolete inventories	-	(749)
Amortisation of deferred employees cost	2,263	2,085
Gain on sale of operating fixed assets	(363)	(67)
Provision / reversal for employees' end of service benefits	2,897	(11,917)
	32,247	89,284
Working capital adjustments		
Inventories	(12,749)	27,501
Trade receivables	15,284	11,634
Long term prepaid employees' benefits	(6,567)	4,915
Advances, prepayments and other receivables	(6,902)	1,350
Trade and other payables	34,305	7,982
Accrued expenses and other liabilities	(7,297)	(43,775)
Cash generated from operations	48,321	98,891
Finance cost paid	(14,258)	(17,369)
Employees' end of service benefits paid	(2,262)	(3,162)
Zakat paid	(4,158)	(4,922)
Net cash generated from operating activities	27,643	73,438
Cash flows from investing activities		
Additions to property, plant and equipment	(7,238)	(8,764)
Proceeds from sale of property, plant and equipment	484	438
Net cash used in investing activities	(6,754)	(8,326)
Cash flows from financing activities		
Changes in short term loans	12,050	(3,182)
Lease liabilities settled	(2,585)	(2,377)
Draw down of long term loans	1,710	-
Repayment of long term loans	(50,322)	(54,557)
Net cash used in financing activities	(39,147)	(60,116)
Net change in cash and cash equivalents	(18,258)	4,996
Exchange differences on translation of foreign operations	40	(3)
Cash and cash equivalents at January 01,	24,381	19,388
Cash and cash equivalents at December 31,	6,163	24,381
Non cash transactions:		
Re-measurement loss / (gain) on employees' end of service benefits	455	9,201
Change in fair value of investments	16,040	15,839
Recognition of right of use asset and lease liability on adoption of IFRS 16	-	16,183

Chief Financial Officer **Chief Executive Officer** **Chairman**

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

1. ORGANIZATION AND PRINCIPAL 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 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.

The Board of Directors of NAMA decided in the Extraordinary Assembly Meeting held on December 27, 2016, to reduce the Group's share capital from SR 1,285,200,000 to SR 235,200,000 at a reduction rate of 81.7% for the purpose of reconstruction of the share capital of the Group. As a result, total number of shares of the Company reduced from 128,520,000 to 23,520,000 by way of cancellation. The effective date for said capital reduction was May 11, 2017. Legal procedures associated with the reduction were completed in 2017.

GOING CONCERN

These consolidated financial statements have been prepared assuming that the group will continue as a going concerns. As at December 31, 2020, the current liabilities of the Group exceeded its current assets by SR 698.9 million (December 31, 2019: SR 645.5 million) mainly on account of current portion of SIDF's long term loan amounting to SR 596.3 million (December 31, 2019: SR 592.5 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 the Group's request for restructuring of its loans. Subsequently the fund has performed an extensive due diligence on the Group with a third party. During the year ended December 31, 2019 SIDF has accepted to resume negotiation for rescheduling the loans. Management is confident that the Group will ultimately be successful in the restructuring of SIDF loans and resolving the breach. Accordingly, the accompanying consolidated financial statements are prepared on going concern basis and the loans are continued to be classified as per their original terms of repayment.

As at December 31, 2020, the accumulated losses of one of the subsidiaries, JANA, has reached to more than 100% of its share capital The shareholders of JANA has resolved on 02 March, 2021 corresponding to 19/07/1442 H 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 16).

The Board of Directors of the Group in their meeting held on July 28, 2018 recommended to the shareholders of the Group to increase the share capital of the Group by Saudi Riyals SR 200 million through right issue. The decision is taken in continuance of the Board's resolution to increase the share capital by SR 400 million previously passed in their meeting held in August 7, 2016. An application for right issue was submitted to Capital Market Authority (CMA) on October 11, 2018. As at January 8, 2019 rights issue was approved by the CMA. Furthermore, Board of Directors in its meeting held on February 24, 2019, resolved to reconsider the increase in capital that was previously announced, as the board believes that this matter needs to be studied further.

The Board of Directors of the Group in their meeting held on August 25, 2019 resolved to revert the previous decision to increase the share capital of the Group by Saudi Riyals SR 200 million through right issue.

1.1 Structure of the group

The consolidated financial statements include the financial statements of the company 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 PRINCIPAL 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 consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016 the Group is required to apply the cost model to measure property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years' period starting from the IFRS adoption date which was later extended till December 31, 2021.

2.2 Basis of accounting

The consolidated financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in significant accounting policies note.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. The estimates that are significant to the consolidated financial statements are disclosed in note 3.18.

2.3 Functional and presentation currency

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

2.4 Adoption of new and revised international financial reporting standards, amendments and interpretations:

(a) Standards, amendments and interpretations effective as at January 1, 2020

The Group has adopted below standards and amendments for their annual reporting period starting January 01, 2020

- Definition of a Business (Amendments to IFRS 3); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

(b) Standards, amendments and interpretations effective as at January 1, 2020 (Continued)

Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. As the Group made no acquisition during the period, accordingly there was no impact of the amendment for the Group.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(iii) There are is no substantive change to other terms and conditions of the lease.

2. BASIS OF PREPARATION (Continued)

2.4 Adoption of new and revised international financial reporting standards, amendments and interpretations (Continued):

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

As the Group did not receive any rent related concession, accordingly there was no impact of the amendment for the Group.

Other standards
New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

(c) Standards, amendments and interpretations issued but are not yet effective and have not been adopted by the Group:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.
The following amendments are effective for the period beginning 1 January 2021:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7);

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:
IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023. Refer Note 6 Critical accounting estimates and judgements.

(d) Standards, amendments and interpretations issued but are not yet effective and have not been adopted by the Group (Continued):

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

(d) Annual improvements to IFRSs 2018 – 2020 Cycle

These improvements are effective on or after 1 January 2021.
- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognise a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.
- IAS 41, 'Agriculture' – Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

2. BASIS OF PREPARATION (Continued)

2.5 Basis of consolidation

The consolidated financial statements comprise those of Nama Chemicals and of its subsidiaries (the Group) as detailed in note 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

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 period are included in the Consolidated 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.

Consolidated 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 consolidated financial statements of subsidiaries to bring its 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.

2.6 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the group.

3.1 Property, plant and equipment

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives.

Class of assets	No of Years
Buildings and leasehold improvements	20 - 40 years
Furniture, fixtures and office equipment	4 – 10 years
Plant and equipment	5 – 30 years
Vehicles	4 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of profit or loss.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The cash generating unit (CGU) at which the impairment assessment and testing is performed, is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. 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.

Annual review of residual lives and useful lives

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Componentization of assets

Property, plant and equipment (PPE) is often composed of various parts with varying useful lives or consumption patterns. These parts are (individually) replaced during the useful life of an asset. Accordingly:

- Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately, except where one significant part has a useful life and a depreciation method that is the same as those of another part of that same item of PPE; in which case, the two parts may be grouped together for depreciation purposes;
- Under the component approach, the Group does not recognize in the carrying amount of an item of PPE the costs of the day-to-day servicing of the item. These costs are recognized in the consolidated statement of profit or loss as incurred. The various components of assets are identified and depreciated separately only for significant parts of an item of PPE with different useful lives or consumption patterns; however, the principles regarding replacement of parts (that is, subsequent cost of replaced part) apply generally to all identified parts, regardless whether they are significant or not.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment (Continued)

Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss as and when incurred.

Capital Spare Parts (CSP)

The Group classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on "stand-by", i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production equipment. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spares commences immediately on the date of purchase.
- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment (Continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

3.2 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group measures its investment property using cost model i.e. cost less accumulated depreciation and impairment, if any.

The estimated useful life of investment property for the calculation of depreciation is 40 years. Depreciation is calculated on a straight-line basis over the estimated useful lives of the investment property.

Investment property is derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated profit or loss in the period of de-recognition.

3.3 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, packing material and spare parts at weighted average cost basis; cost comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-process at weighted average cost basis: these include cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The NRV assessment to write-down the inventory is normally made on an individual item basis.

The practice of writing inventories down below cost to net realizable value is consistent with the view under IFRS that assets should not be carried in excess of amounts expected to be realized from their sale.

An allowance is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures. Provision for slow moving and obsolete inventories is assessed by each inventory category as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

3.4 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have original maturities of 90 days or less and are available for use by the Group unless otherwise stated. In the consolidated statement of financial position, based on nature of Group's facility, bank overdraft is presented under line item borrowings.

3.5 Foreign Currency translations

Items included in the consolidated financial statements of the Group is measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Saudi Riyals (SR) that is the functional and presentation currency. Figures have been rounded off to the nearest Riyal except where mentioned rounding off in Saudi Riyals in millions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign Currency translations (continued)

Transactions and balances

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'Other income/(expenses) – net'.

3.6 Provisions

Provisions are recognized when the Group has:

- a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- the amount can be reliably estimated.

If the effect of the time value of money are material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where there are a number of similar obligations, (e.g. product warranties, similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.7 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability of each year.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Employee benefits

Short term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

Employees' end-of-service benefits (EOSB)

The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit. EOSB plan is the present value of the defined benefit obligation at the end of the reporting year. 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.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income.

3.9 Employees' home ownership program

The Group has an employee's home ownership program (HOP), which is managed by the Group, whereby the eligible Saudi employees have the opportunity to buy residential units constructed by the Group after the completion of certain years of service and fulfilment of conditions as per the contract with respective eligible employees. Total estimated unrecoverable cost at the beginning of the project relating to HOP are recognized as deferred employees costs and amortized over the remaining life span of the home ownership plan , starting from the time the residential units are allocated to the employees.

Ownership of the houses is transferred upon full settlement of receivable balance due from employee over the period of service as per the terms and conditions of the contract with the employee. HOP accounts consist of Employee receivables and other receivables arising from the sale of any other houses / villas to third parties (collectively are referred to as "Long Term Prepaid Employees Benefits"), unalloted units and deferred employees costs. The accounting policies for the treatment of each account are as follows:

Long term prepaid employee benefits

Costs relating to house ownership plan for employees are recognized as logn term prepaid employees benefits at time the residual units are allocated to the employees and are amortized over the period during which employees repay such residential unit costs.

Unalloted units

This account represented the cost for the units that has not yet been allocated to the employees. Unallotted units have been shown at their original value less accumulated depreciaiton and included under Property, plant & equipment.

Deferred employees costs

This account represented the cost incurred on the villas which is not recoverable from the employees and accordingly amortized on the expected remaining owndershsip plan of the eligible employees. The basis of amortization is staright line method over the duration of the home ownership program.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Revenue from contract with customers

The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, using the five-step model. This includes:

a) Identification of a contract with a customer, i.e., agreements with the Group that creates enforceable rights and obligations.
b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.
c) Determination of the transaction price which shall be the amount of consideration the Group will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).
d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.
e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

Revenue is recognized upon delivery or shipment of the products in accordance with the contract terms by which the control of the goods/ products are transferred to the customers and the Group has no effective control over or continuing management involvement over these goods.

For local sales, customer obtains control when the goods are delivered to the customer's warehouses. For international sales, control is transferred when loading the goods at the relevant area at the port.

3.11 Miscellaneous income

Other income comprise of insurance recoveries and dividends received. Insurance recoveries are recognized in consolidated profit or loss as and when received. Dividend income is recognized in consolidated profit or loss on the date on which the Group's right to receive the payment is established.

3.12 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Zakat and withholding taxes

The Group is subject to the regulations of the General Authority of Zakat and Income Tax ("GAZT") in the kingdom of Saudi Arabia. Moreover, the foreign subsidiaries are subject to the relevant laws relating to income tax in the countries where they conduct their activities. Zakat is computed at 2.5%. A provision for zakat for the Group and zakat related to the Group's subsidiary is charged to the consolidated statement of profit or loss. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined and settled against any previously provided provisions, if any.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.14 Dividend

Provision or liability is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Group, on or before the end of the reporting year but not distributed at the end of the reporting year.

3.15 Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income, if available after absorption of accumulated losses, until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

3.16 Expenses

Expenses are classified according to their function as part of cost of sales, or the cost of selling and distribution or administrative activities. Selling, distribution, general and administrative expenses include indirect costs not specifically part of production costs as required as per generally accepted accounting principles. Allocations between selling, distribution, general and administrative expenses and production costs, when required are made on a consistent basis.

3.17 Operating Segment

An operating segment is a component of the Group that engages in the business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.18 Critical accounting judgments and key sources of estimation uncertainty

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

- Revenue
- Economic useful lives of property, plant and equipment;
- Lease term;
- Zakat;
- Impairment of non-financial assets;
- Estimation of employees' end of service benefits obligation;
- Allowance for impairment for trade receivables;
- Provision for obsolete, slow moving and damaged inventory; and
- Contingencies.

Judgements:

• Revenue recognition:

In recognizing revenue from the customers, GROUP makes judgement in respect of nature and timings of the satisfaction of performance obligations, including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognized over time or at a point in time. Group revenues are recorded at point in time.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Critical accounting judgments and key sources of estimation uncertainty (Continued)

Estimates and assumptions

Economic useful lives of property, plant, equipment

The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

Zakat

The Group is subject to zakat in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). Zakat is accrued and charged to the consolidated statement of profit or loss. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized and settled with previously formed provisions.

Impairment of non-financial asset

An 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 of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of employees' end of service benefits

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Allowance for impairment of trade receivables

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and Fair value through other comprehensive income ('FVOCI'). The ECL is based on a 12-month ECL and a lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. ECL assessment requires a several estimates related to the categorization of customers, discount rates and a general assessment of the economic conditions in the market. Management use their best estimates and historical trends of customers to assess the receivables provision under ECL model.

Provision for obsolete, slow moving and damaged inventory

The Group's management makes a provision for slow moving, obsolete and damaged inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the Consolidated Statement of financial position date to the extent that such events confirm conditions existing at the end of year.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Critical accounting judgments and key sources of estimation uncertainty (Continued)

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. 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)/profit, assets and liabilities, by business segment, are as follows:

	Epoxy resin products	Chloe Alkali	Inter-Group eliminations	Others	Total
For the year ended December 31, 2020					
Revenue	270,598	153,962	(6,179)	20,863	439,244
Finance cost	7,203	9,748	-	432	17,383
Depreciation,amortization and impairment	16,333	40,314	-	3,618	60,265
Zakat	2,203	343	-	1,608	4154
Net (loss)/profit	(21,893)	(30,040)	151	6,535	(45,247)
Total assets	519,543	510,637	-	242,414	1,272,594
Total liabilities	392,150	466,937	-	126,888	985,975
For the year ended December 31, 2019					
Revenue	301,883	218,094	(14,905)	20,869	525,941
Finance cost	10,548	12,240	-	236	23,024
Depreciation,amortization and impairment	16,161	45,978	-	3,788	65,927
Zakat	2,611	392	-	1,970	4,973
Net (loss)/profit	(23,206)	33,032	(6,257)	6,519	10,088
Total assets	502,937	564,416	-	244,162	1,311,515
Total liabilities	384,639	457,851	-	153,694	996,184

Reconciliation of net loss of operating segments

	December 31, 2020	December 31, 2019
Segment profit	(45,398)	16,345
Inter-segment profit elimination	151	(6,257)
Net profit/ (loss) for the year	(45,247)	10,088

Geographical Information

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

	December 31, 2020	December 31, 2019
Revenue		
Saudi Arabia	200,909	225,117
Other countries	238,335	300,824
Total Revenue	439,244	525,941
Non-Current Assets		
Saudi Arabia	1,073,886	1,104,815

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2020	December 31, 2019
Operating fixed assets	5.1	706,127	752,569
Right of use assets	5.7	12,260	14,490
		718,387	767,059

5.1 Operating fixed assets

	For the year ended December 31, 2020					
	Buildings and leasehold improvements	**Plant and equipment**	**Furniture, fixtures and office equipment**	**Vehicles**	**Assets under construction**	**Total**
Cost:						
At the beginning of the year	98,325	2,056,942	13,502	2,209	33,970	2,204,948
Additions	34	16,466	327	-	2,905	19,732
Disposals	-	(391)	-	-	-	(391)
Transfers	(13,415)	8,108	-	-	(8,108)	(13,415)
At the end of the year	84,944	2,081,125	13,829	2,209	28,767	2,210,874
Accumulated depreciation:						
At the beginning of the year	25,666	752,786	12,105	2,144	-	792,701
Disposals	-	(270)	-	-	-	(270)
Transfers	(922)	-	-	-	-	(922)
Charge for the year	2,009	51,239	312	-	-	53,560
At the end of the year	26,753	803,755	12,417	2,144	-	845,069
Accumulated impairment:						
At the beginning of the year	14,527	619,746	443	65	24,897	659,678
Charge for the year	-	-	-	-	-	-
At the end of the year	14,527	619,746	443	65	24,897	659,678
Net book value:						
At December 31, 2020	43,664	657,624	969	0	3,870	706,127

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

5.1 Operating fixed assets (Continued):

	For the year ended December 31, 2019					
	Buildings and leasehold improvements	Plant and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	108,523	2,051,979	14,766	3,124	30,685	2,209,077
Additions	-	2,944	356	-	5,464	8,764
Disposals	(1,001)	(160)	(1,620)	(915)	-	(3,696)
Transfers	(9,197)	2,179	-	-	(2,179)	(9,197)
At the end of the year	**98,325**	**2,056,942**	**13,502**	**2,209**	**33,970**	**2,204,948**
Accumulated depreciation:						
At the beginning of the year	24,455	701,691	13,439	2,886	-	742,471
Disposals	(724)	(160)	(1,620)	(820)	-	(3,324)
Transfers	(249)	-	-	-	-	(249)
Charge for the year	2,184	51,255	286	78	-	53,803
At the end of the year	25,666	752,786	12,105	2,144	-	792,701
Accumulated impairment:						
At the beginning of the year	14,527	615,068	443	65	24,897	655,000
Charge for the year	-	4,678	-	-	-	4,678
At the end of the year	**14,527**	**619,746**	**443**	**65**	**24,897**	**659,678**
Net book value:						
At December 31, 2019 (restated)	**58,132**	**684,410**	**954**	-	**9,073**	**752,569**
At December 31, 2018 (restated)	**69,540**	**728,539**	**883**	**173**	**5789**	**804,924**

5.2 The Group has leased land for factory buildings and other premises from the Royal Commission for Al-Jubail and Yanbu for a period of 25 Hijra years commencing from November 1997 and September 2005. Management expects that the renewal of lease contracts ending in year 2020.

5.3 As of December 31, 2019, the capital work in progress (asset under construction) represents the machineries under installation and related works.

5.4 In year 2016, one of the subsidiaries "JANA" carried out an impairment testing, with the assistance of an independent consultant due to continuous operating losses over the years which resulted in a recorded impairment loss of SR 655 million. During the year, JANA has re-assessed the said impairment testing with the assistance of an independent consultant based on various assumptions approved by the Group's management for the determination of the Subsidiary's value in use. The revision of the impairment testing as of December 31, 2020 resulted in no additional impairment (2019: SR 4.7 million) to be charged to the statement of profit or loss and other comprehensice income. In determining the value in use, cash flows were discounted at 13.25%. Total impairment value as at December 31, 2020 is SR 659.7 million (2019: SR 659.7 million).

5.5 SIDF loan is secured against the operating fixed assets of JANA (note 16.2.1)

5.6 Building and leasehold improvements in 2019 balances include villas costing SR 43,389 (2018: SR 52,585) having accumuldated depreciation of SR 2,170 (2018: SR 1,315) which were reclassified from Long term prepaid benefits in the year ended December 31, 2019 and from investment property in the year ended December 31, 2018.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

5.7 Right of use assets

The Group has right of use for land, pipelines and vehicles and presents the right of use separately from operating fixed assets. Movement in right of use during the year is as follows:

	December 31, 2020			
	Lands	**Pipelines**	**Vehicles**	**Total**
Opening balance	12,451	1,139	900	14,490
Depreciation for the year	(1,513)	(352)	(365)	(2,230)
Closing balance	10,938	787	535	12,260

With the exception of short-term leases, the present value of each lease obligation is presented as a lease liability on the consolidated statements of financial position. Lease term period of these leases ranges from 2 to 16 years with fixed payment terms.

Each lease imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right of use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

5.8 Allocation of depreciation of property, plant and equipment and right of use charge for the year:

	Note	December 31, 2020	December 31, 2019
Cost of sales	21.1	53,743	54,684
Selling and distribution expenses	21.2	46	91
General and administrative expenses	21.3	2,001	2,177
		55,790	56,952

6. INVESTMENT PROPERTIES

	December 31, 2020	December 31, 2019
Cost	88,467	88,467
Accumulated depreciation:		
At the beginning of the year	14,929	12,717
Charge for the year	2,212	2,212
At the end of the year	17,141	14,929
Net book value:		
At 31 December,	71,326	73,538

The investment properties were valued by M/s White Cubes Real Estate having real estate management degree accredited by the Saudi Authority for Accredited Valuers (Taqeem) which is an independent professionally qualified surveyor. As at December 31, 2020, impairment valuation was performed and these properties were valued at SR 83.6 million (2019: SR 78.7 million) against the net book values of SR 71.3million (2019: SR 73.5 million).

The operational information impacts of investment properties on profit or loss are as follows:

	December 31, 2020	December 31, 2019
Rental income for the year	20,700	20,700
Direct operating expenses (Depreciation)	(2,212)	(2,212)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	112,080	127,919
Fair value (gain / (loss)	16,040	(15,839)
Balance at the end of the year	128,120	112,080

Quoted shares represent investment in Yanbu National Petrochemicals Company. This investment has been mortgaged against the loan received from Saudi Industrial Development Fund (SIDF).

8. EMPLOYEES' HOME OWNERSHIP PROGRAM

The Group have established employee's home ownership program "HOP" that offer eligible employees the opportunity to obtain residential units constructed by the Group through a series of payments over a particular number of years. These payments are deductible from eligible employees' housing allowance plus 17% of the employee's basic salary. Ownership of the houses is transferred upon completion of full payment. Under the HOP, 17% of the basic salary paid by the employee towards the unit, are repayable back to the employee in case the employee discontinues employment and the unit is returned back to the Group. Total unrecoverable cost relating to HOP are recognized as a deferred employees cost and amortized over the period of the program. Unallotted units are shown at cost less accumulated depreciation and included under property, plant & equipment.

Long term prepaid employees benefit:

	December 31, 2020	December 31, 2019	January 01, 2019
Prepaid employee benefits	119,678	118,239	123,619
Villas issued during the year	9,252	6,383	-
Recovery from employees	(5,873)	(4,944)	(5,380)
Closing balance	123,057	119,678	118,239
Transfer to current assets	(5.475)	(5,086)	(5,250)
Net Long term prepaid benefit	117,582	114,592	112,989

Deferred cost:

	December 31, 2020	December 31, 2019	January 01, 2019
Opening balance	37,546	37,066	51,647
Amortized during the year	(2,263)	(2,085)	(2,581)
Villas issued during the year - net	3,188	2,565	-
Proceeds from sale of right to build	-	-	(12,000)
Closing balance	38,471	37,546	37,066

9. INVENTORIES

	Note	December 31, 2020	December 31, 2019
Finished goods		26,272	27,583
Raw materials		31,159	19,564
Spare parts		19,572	18,227
Others		10,489	9,367
		87,492	74,741
Less: Provision for slow moving and obsolete inventories	9.1	(14,794)	(14,794)
		72,698	59,947

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. INVENTORIES (continued)

9.1 Movement in the provision for slow moving and obsolete inventories is as follows:

	December 31, 2020	December 31, 2019
Balance at 1 January	14,794	15,543
Reversal for the year	-	(749)
Balance at 31 December	14,794	14,794

10. TRADE RECEIVABLES

	Note	December 31, 2020	December 31, 2019
Trade receivables	10.1	88,900	104,184
Allowance for impairment of trade receivables	10.2	(710)	(6,177)
		88,190	98,007

10.1 As of 31 December, the ageing analysis of trade receivable is as follows:

	Total	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days
2020	88,190	66,797	14,125	1,230	3,037	1,615	1,386
%	100%	76%	16%	1%	3%	2%	2%
2019	98,007	71,257	15,481	4,091	3,323	117	3,738
%	100%	73%	16%	4%	3%	0%	4%

10.2 Allowance for impairment of trade receivables

	December 31, 2020	December 31, 2019
Balance at 1 January	6,177	4,181
Charge for the year	-	1,996
Reversal for the year	(5,467)	
Balance at 31 December	710	6,177

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Vendor advances	8,384	7,504
Employee receivables	6,448	7,897
VAT receivable	6,521	891
Others	4,829	2,987
	26,182	19,279

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Current accounts	5,840	24,064
Cash in hand	-	1
Time deposits	323	316
	6,163	24,381

12.1 Details of amounts placed in various currencies:

	December 31, 2020	December 31, 2019
SR	3,393	10,695
USD	2,157	12,355
EUR	605	1,321
CHF	8	10
	6,163	24,381

12.2 Reconciliation of liabilities arising from financing activities

		Cash flows	Cash flows	Non- cash charges	
	December 31, 2019	Loans (paid) / received, net	Interest paid	Amortization of finance charges	December 31, 2020
SIDF Loan	592,549	-	(3,512)	7,242	596,279
Tawarruq financing	90,319	(12,976)	(3,657)	3,627	77,313
Murabaha loan	46,429	(23,538)	(1,578)	1,508	22,821
Short term loans	47,518	(3,313)	(2,245)	1,880	43,840
	776,815	(39,827)	(10,992)	14,257	740,253

13. SHARE CAPITAL

	December 31, 2020	December 31, 2019
Authorized shares of SR 10 each	235,200,000	23,520,000
No. of shares issued and fully paid		
Balance at the beginning of the year	23,520,000	23,520,000
Balance at the end of the year	23,520,000	23,520,000
Ordinary shares issued and fully paid (in Saudi Riyals thousands)		
Balance at the beginning of the year	235,200	235,200
Balance at the end of the year	235,200	235,200

14. OTHER RESERVES

	Note	December 31, 2020	December 31, 2019
Financial assets at fair value through OCI reserve	14.1	108,070	92,030
Foreign currency translation reserve	14.2	(610)	(650)
Remasurement gain on employees' end of service benefits	14.3	(6,162)	(6,617)
		101,298	84,763

14.1 This represents cumulative gain on the equity instruments measured at fair value through other comprehensive income.

	December 31, 2020	December 31, 2019
As at January 1,	92,030	107,869
Fair value gain / (loss)	16,040	(15,839)
As at December 31,	108,070	92,030

14.2 This represents the cumulative foreign currency translation differences arising from the consolidation of foreign operations.

	December 31, 2020	December 31, 2019
As at January 1,	(650)	(647)
Currency translation loss	40	(3)
As at December 31,	(610)	(650)

14.3 This represents cumulative re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions used for estimating the employees' end-of-service benefits obligation at end of each financial position date.

	December 31, 2020	December 31, 2019
As at January 1,	(6,617)	2,584
Remaeasurement (loss)/ gain on employees' end of service benefits	455	(9,201)
As at December 31,	(6,162)	(6,617)

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. TREASURY SHARES

Treasury shares represent shares purchased for Employee Share Program ("ESP"). During year 2010, the Board of Directors approved an ESP, which provides a 5 year service awards to eligible employees. These employees, subject to their subscription to ESP and meeting the underlying conditions, were given an option to buy 1,130,339 shares of NAMA, at an agreed exercise price of SR 8.85 per share, at a future date (the "vesting date") once they become fully entitled to the shares. The entitlement to the shares was made in different stages ranging from 10% to 40% based on the vesting period.

In relation to ESP, NAMA purchased its shares at SR 10 million in 2009 through a local financial institution ("Custodian") under a custody arrangement and these shares are held by the custodian. Due to the capital reduction undertaken by NAMA in 2017, the number of shares held under the ESP got reduced to 165,406 shares with a value of SR 2.91 million as on 31 December 2020. There is no share transferred to employee in 2020 and 2019.

16. LOANS

16.1 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 margin. These facilities are secured by a corporate guarantee from NAMA (holding Company). In addition, the Group has incurred, during the year, interest cost of SR 1.90 million (2019: 2.73 million) on Murabaha loans and SR 0.02 million (2019: SR 0.04 million) on overdraft.

16.2 Long term loans

	Note	December 31, 2020	December 31, 2019
SIDF loans	16.2.1	596,279	592,549
Tawarruq financing	16.2.2	77,313	90,319
Murabaha loans	16.2.3	22,821	46,429
		696,413	729,297
Less: current portion		(662,970)	(647,243)
Long term loans – non-current portion		33,443	82,054

16.2.1 SIDF loans

For Epoxy plant – JANA

In year 2007, SIDF approved a term loan amounting to SR 37.4 million to finance the expansion project of the Epoxy plant, which was fully withdrawn by JANA. In year 2008, SIDF approved additional term loan of SR 210 million to finance the subsequent expansion of the Epoxy plant out of which SR 179.32 million was disbursed till December 31, 2013.

During the year 2014, SIDF cancelled the undisbursed portion of the loan and revised the repayment schedules to be of 10 unequal semi-annual installments starting February 15, 2014. Up to December 31, 2014, JANA had repaid SR 42.4 million. In the year 2016, SIDF revised the repayment schedule to be 5 unequal semi-annual installments starting from January 14, 2017. During the year 2018, the Group received a demand letter from SIDF for the payment of its outstanding balance (note 1). 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. As of December 31, 2020, the outstanding balance of the loan is SR 175.6 million (2019: SR 174.7 million).

During the year, the Group charged SR 1.9 million (2019: SR 2.1 million) follow up cost on SIDF loan.

For Hassad plant – JANA

In year 2006, SIDF approved a term loan facility amounting to SR 315 million to finance the Hassad project, which was fully utilized by JANA as of December 31, 2010. Repayment of the loan was in 15 unequal semi-annual installments commencing from October 4, 2009. Up to December 31, 2013, the Group had repaid SR 65 million. In addition, in year 2012, the SIDF approved additional term loan of SR 208.7 million to finance the cost overrun of Hassad project, out of which SR 166.96 million was disbursed till December 31, 2013. During year 2014, SIDF cancelled the undisbursed portion of the loan and revised the repayment schedule to be on 13 unequal semi-annual installments starting from August 11, 2014. In year 2016, SIDF revised the repayment schedule to be on 9 unequal semi-annual installments starting July 20, 2016.

16. LOANS (Continued)

During the year, the Group charged SR 4.69 million (2019: SR 5.11 million) follow up cost on SIDF loan.

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. As of December 31, 2020, the outstanding balance of the loan is SR 420.1 million (2019: SR 417.8 million).

SIDF Loans covenants and guarantees
SIDF loans 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 operating fixed assets of JANA.

16.2.2 Tawarruq financing
In 2011, NAMA obtained Tawarruq financing facility of SR 263 million from a local bank. The facility was fully withdrawn in 2011. The facility is repayable in five equal annual installments amounting to SR 52.6 million commencing from June 13, 2014, with a grace period of two years. The interest rate is based on 6 months SIBOR plus margin. The facility is secured against promissory note. In the year 2014, the facility was rescheduled for a period of two years and in the year 2017, the bank again revised the repayment schedule to be on 57 equal monthly installments starting from January 31, 2018. The outstanding balance as of December 31, 2020 was SR 77.3 million (2019: SR 90.3 million). The facility covenants include maintenance of certain financial ratios during the period of the facility.

In addition, the Group has incurred, during the year, interest cost of SR 3.63 million (2019: SR 6.13 million) on Tawarruq financing.

16.2.3 Murabaha loans
In the year 2012, JANA entered into a Master Murabaha Agreement ("the Agreement") with a local bank to finance the capacity expansion projects. The total facility amounted to SR 117 million and it is in the form of Islamic Murabaha to sell and repurchase certain commodities from the Agent in accordance with Shariah principles. JANA has fully drawn down the Murabaha facility in the year 2012. Repayment was on 20 equal quarterly installments amounting to SR 5.85 million commencing from September 13, 2014. The margin was 2.75% per annum. During the year 2018, the bank again revised the repayment schedule to be on 47 equal monthly installments amounting to SR 0.75 million commencing from March 26, 2018. The margin was 3.25% per annum. The outstanding balance as of December 31, 2020 is SR 8.97 million (2019: SR 18.69 million). The bank loan covenants include maintenance of certain financial ratios during the period of the loan.

In March 2018, SR 50 million of short term working capital loan was converted by a local bank into medium term loan, repayable in 47 equal monthly installments of SR 1.06 million, starting March 12, 2018. The outstanding balance as on December 31, 2020 is SR 13.85 million (2019: SR 27.74 million). The facility covenants include maintenance of certain financial ratios during the period of the loan.

In addition, the Group has incurred, during the year, interest cost of SR 1.53 million (2019: SR 3.36 million) on Murabaha loans.

16.3 Group compliance with bank covenants
Group has not complied with the covenant requirements of maintaining certain financial ratios of its facility agreements. As mentioned in note 1, the Group is currently negotiating with SIDF for restructuring its loans. Management believes that the Group will be successful in restructuring of SIDF loan, which will resolve the breach in the near future. Accordingly, these loans are continued to be classified as per the original terms of repayment, except for SIDF loan, which is fully classified to current portion.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. EMPLOYEES' END OF SERVICE BENEFITS

The movement in the present value of employees' end of service benefits is as follows:

	December 31, 2020	December 31, 2019
Balance as at the beginning of the year	42,521	46,537
Charged to profit or loss:		
- Current service cost	2,897	4,071
- Past service gain	-	(15,988)
- Interest cost	953	1,862
	3,850	(10,055)
Charged to other comprehensive loss / (income):		
Re-measurements on obligation from:		
- changes in financial assumptions	-	2,563
- Demographic changes	1,299	3,423
- Experience adjustments	(1,754)	3,215
	(455)	9,201
Benefits paid during the year	(2,262)	(3,162)
Balance as at the end of the year	43,654	42,521

17.1 Major economic and actuarial assumptions used in benefits liabilities computation:

	December 31, 2020	December 31, 2019
Discount rate per annum	2.10%	2.80%
Average salary increase per annum	2.00%	2.00%

17.2 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for year is as follows:

	December 31, 2020	December 31, 2019
Increase		
Discount rate +1%	40,157	40,429
Salary + 1%	46,221	44,998
Decrease		
Discount rate -1%	46,244	44,871
Salary -1% /	40,136	40,274

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

The weighted average duration of the defined benefit obligation is 10 years.

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. LEASE LIABILITIES

	December 31, 2020			
	Lands	Pipelines	Vehicles	Total
Opening balance	12,567	1,210	925	14,702
Interest accrued during the year	693	58	46	797
Lease liability settled during the year	(1,882)	(298)	(405)	(2,585)
Closing balance	11,378	970	566	12,914
Less: current portion	(1,042)	(255)	(381)	(1,678)
Non-current portion	10,336	715	185	11,236

As at December 31, 2020, The minimum lease payments of lease liabilities are as follows:

	Current	1-5 years	6-10 years	11-20 years	Total
Lease payments	2,378	5,921	6,246	2,876	17,421
Finance charges	(700)	(2,141)	(1,276)	(390)	(4,507)
Net present values	1,678	3,780	4,970	2,486	12,914

The Group has short-term and low value lease arrangements having an expense for the year amounting to SR 902,318.

	December 31, 2019			
	Lands	Pipelines	Vehicles	Total
Opening balance	13,486	1,433	1,264	16,183
Interest accrued during the year	756	74	66	896
Lease liability settled during the year	(1,675)	(297)	(405)	(2,377)
Closing balance	12,567	1,210	925	14,702
Less: current portion	(988)	(240)	(359)	(1,587)
Non-current portion	11,579	970	566	13,115

As at December 31, 2019, The minimum lease payments of lease liabilities are as follows:

	Current	1-5 years	6-10 years	11-20 years	Total
Lease payments	2,378	6,958	7,189	3,476	20,001
Finance charges	(791)	(2,395)	(1,569)	(544)	(5,299)
Net present values	1,587	4,563	5,620	2,932	14,702

The Group has short-term and low value lease arrangements having an expense for the year amounting to SR 902,318.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2020	December 31, 2019
Advance rent received	6,323	27,023
Less: non-current portion	(-)	(6,323)
	6,323	20,700
Freight accrual	2,911	4,368
Employee related accrual	6,018	2,908
Customers advance payments	3,653	1,557
Others	31,575	21,917
	50,480	51,450

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

20.1 DISAGGREGATED REVENUE INFORMATION

Segments	2020	2019
Type of goods or service		
Sale of goods	418,381	505,072
Rental income	20,863	20,869
Total revenue from contracts with customers	**439,244**	**525,941**
Type of customer		
Government and quasi-government customers	23,241	31,278
Corporate customers	416,003	494,663
Total revenue from contracts with customers	**439,244**	**525,941**
Geographical markets		
Saudi Arabia	200,909	225,117
Gulf countries	110,882	120,851
Asia	42,625	44,078
Africa	19,825	38,502
Europe	39,191	64,117
Other territories	25,812	33,276
Total revenue from contracts with customers	**439,244**	**525,941**

(All amounts in Saudi Riyals thousands unless otherwise stated)

21. EXPENSES

Based on the nature of the expenses, cost of sales, selling and distribution expenses and General and administrative expenses include the following expense for the year ended:

21.1 COST OF REVENUE

	2020	2019
Raw materials consumed	179,910	203,593
Employees costs	50,533	54,067
Depreciation (note 5.6)	53,743	54,684
Impairment of operating fixed assets (note 5.4)	-	4,678
Utilities and fuel and power	55,248	56,111
Repair & Maintenance	13,140	13,095
Provision for slow moving	-	(749)
Others	64,875	43,363
Opening Work in progress and finished goods	28,188	51,351
Closing work in progress and finished goods	(27,564)	(28,188)
Cost of Revenue	**418,073**	**452,005**

21.2 SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Transportation and shipping expenses	17,612	20,560
Employee Cost	4,859	6,249
Depreciation (note 5.6)	46	91
Other expenses	4,141	5,695
Total	**26,658**	**32,595**

21.3 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Employees related costs *	17,091	2,703
Depreciation (note 5.6 and note 6)	4,213	4,389
Amortization of House Ownership Program (note 8.3)	2,263	2,086
Others	9,422	9,943
Total	**32,989**	**19,121**

21.4 FINANCE COST, NET

	2020	2019
Mark up on loans and borrowings	14,258	16,275
Interest expenses on lease liabilities	797	-
Interest on EOSB Obligation	953	1,862
Bank charges and others	1,375	4,887
Total	**17,383**	**23,024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22. OTHER REVENUES

22.1 INVESTMENT INCOME

	2020	2019
Dividend income	6,015	7,519
Mark up on time deposit	11	8
	6,026	7,527

22.2 MISCELLANEOUS INCOME/ (EXPENSES), NET

	2020	2019
Gain on sale of operating fixed assets	363	67
Pipeline rent	421	506
Scrap sales	133	1,987
Subsidy	2,807	1,677
Others, net	5,016	4,101
	8,740	8,338

23. ZAKAT

23.1 The principal elements of zakat base are as follows:

	December 31, 2020	December 31, 2019
Non-current assets	1,073,886	1,104,815
Non-current liabilities	88,333	144,013
Opening shareholders' equity	315,331	330,286
Net income before zakat	(41,093)	15,061

Some of these amounts have been adjusted in arriving at the zakat base for the year.

23.2 Movement in zakat provision:

	December 31, 2020	December 31, 2019
At beginning of the year	29,538	29,487
Provided during the year	4,154	4,973
Paid during the year	(4,157)	(4,922)
At end of the year	29,534	29,538

23.3 Outstanding assessment and zakat status:
The Group is yet to receive the final zakat assessment for the year from 2000 to 2019 as these are still under review by the General Authority of Zakat and Tax ('GAZT'), except for subsidiaries JANA and SODA for which the final zakat assessment for the years from 2003 to 2019 and from 2008 to 2019, respectively. During the year 2017, the Group received an assessment from GAZT for the years 2000 to 2011 with an additional zakat liability amounting to SAR 38.8 million which the company has already appealed. During 2020, the company received the final zakat assessments relating to years 2014 to 2018 with an additional zakat liability of SR 27.92 million which the company has appealed. The management does not expect any additional liability in this regard. Zakat liability for the year 2019 has been settled during the year 2020..

During 2018, the Group obtained approval from GAZT to file Zakat returns on the consolidated basis. Accordingly, the zakat provision of the year ended December 31, 2020 has been calculated based on consolidated financial statements of the Group.

24. EARNINGS PER SHARE

The Group's basic and diluted earning per share for the years ended December 31, 2019 and 2018 have been arrived at by dividing the respective year's net profit attributable to the shareholders by the weighted average number of shares outstanding at the end of the year.

	December 31, 2020	December 31, 2019
Basic earning per share	(1.937)	0.432
(Loss) / profit for the year	(45,247)	10,088
Weighted average number of outstanding shares (in thousands)	23,355	23,355
Diluted earning per share	(1.924)	0.429
(Loss) / profit for the year	(45,247)	10,088
Weighted average number of outstanding shares, considering the effect of dilutive shares (in thousands)	23,520	23,520
Reconciliation of weighted average number of ordinary outstanding shares		
Number of ordinary issued shares (in thousands)	23,520	23,520
Less: Outstanding treasury shares (in thousands)	(165)	(165)
Number of outstanding shares (in thousands)	23,355	23,355
Weighted average number of outstanding shares	**23,355**	**23,355**

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of 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:

	December 31, 2020	December 31, 2019
Short term benefits	3,482	3,194
Employees' end of service benefits	136	300
Board remuneration	2,023	1,200
	5,641	4,694

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets	Total	At amortized cost	At fair value through OCI
2020:			
Investments at fair value through other comprehensive income	128,120	-	128,120
Trade receivables	88,190	88,190	-
Vendor advances and employee receivables	14,832	14,832	-
Long term prepaid employees benefit	123,057	123,057	-
Cash and cash equivalents	6,163	6,163	-
	360,362	232,242	128,120

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued):

	Total	At amortized cost	At fair value through OCI
2019:			
Investments at fair value through other comprehensive income	112,080	-	112,080
Trade receivables	98,007	98,007	-
Vendor advances and employee receivables	15,401	15,401	-
Long term prepaid employees benefit	119,678	119,678	-
Cash and cash equivalents	24,381	24,381	-
	369,547	257,467	112,080

The Group's exposure to various risks associated with the financial instruments is discussed in note 27. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

	As at December 31	
Financial liabilities	Total	Liabilities at amortized cost
2020:		
Long term loans including current portion	696,413	696,413
Short term loans	43,840	43,840
Trade and other payables	109,140	109,140
Accrued expenses and other liabilities	44,156	44,156
	893,549	**893,549**
2019:		
long term loans including current portion	729,297	729,297
Short term loans	47,518	47,518
Trade and other payables	74,835	74,835
Accrued expenses and other liabilities	30,749	30,749
	882,399	882,399

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group 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. 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.

December 31, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Financial assets						
Financial assets at fair value through other comprehensive income	128,120	128,120	128,120	-	-	128,120
December 31, 2019						
Financial assets						
Financial assets at fair value through other comprehensive income	112,080	112,080	112,080	-	-	112,080

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT

Financial risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability. The Group's activities are exposed to a variety of financial risks, which mainly include market risk, credit risk and liquidity risk.

The Group seeks to minimize the effects of these financial risks by various methods, including derivative financial instruments where appropriate, to hedge risk exposures.

The Group's Board oversees these risks.

28.1 CREDIT RISK

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, monitoring the outstanding receivable and ensuring the close follow up.

Groups maximum credit exposures are as follows:

	December 31,	
	2020	2019
Trade receivables	88,190	98,007
Advances and other receivables	26,182	19,279
Cash and cash equivalents	6,163	24,381
Total	120,535	141,667

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy and procedures. The Group has a policy of only dealing with creditworthy counterparties. Credit rating information of customers are obtained from independent rating agencies where available, and if not available, the Group uses publicly available information and its own trading records to rate its major customers. The Credit limits are established for all customers based on internal rating criteria. Trade receivables are non-interest bearing and generally have a credit period at par with industry norms. Collateral is generally not required, but may be used under certain circumstances as well as letters of credit in certain markets, particularly in lesser developed markets.

The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

The Group reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. Further, an impairment analysis is also performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk.

Cash balances are deposited with major banks with good credit standings.

Other financial assets

This comprises mainly of deposits with banks and investments. Credit risk arising from these financial assets is limited. These investments are made in banks and recognized financial institutions having high credit ratings assigned by the international credit rating agencies.

28.2 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (Continued)
28.2 LIQUIDITY RISK (continued)

The calculation of net debt was as follows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	(6,163)	(24,381)
Borrowings	740,253	776,815
Lease liabilities	12,914	14,702
Net debt	747,004	767,136

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

	December 31, 2020	December 31, 2019
Equity	286,619	315,331
Liabilities	985,975	996,184
Total capital	1,272,594	1,311,515

	December 31, 2020	December 31, 2019
Net debt to equity ratio	261%	243%
Gearing ratio	76%	77%
Current ratio	22%	24%

The table below analyses non-derivative financial liabilities of the Group into relevant maturity based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed under the ageing buckets are the contractual discounted cash flows.

	Within 1 year	1 to 5 years	Greater than 5 years	Total
31 December 2020				
Long term loans	662,970	33,443	-	696,413
Short term loans	43,840	-	-	43,840
Trade and other payables	109,140	-	-	109,140
Accrued expenses and other liabilities	50,480	-	-	50,480
	866,430	33,443	-	899,873
31 December 2019				
Long term loans	647,243	82,054	-	729,297
Short term loans	47,518	-	-	47,518
Trade and other payables	74,835	-	-	74,835
Accrued expenses and other liabilities	51,450	-	-	51,450
	821,046	82,054	-	903,100

28.3 MARKET RISK
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk, such as equity price risk and commodity risk.

The Group does not have any financial asset or financial liability, which is exposed to other price risk as on December 31, 2020 and December 31, 2019.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (Continued)

28.3 MARKET RISK (continued)

28.3.1 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to the risk of fluctuations in foreign exchange rates through its normal course of business. The Group monitors the fluctuations in currency exchange rates and charge the effects on the financial statements accordingly.

The Group exposure to currency risk primarily arises from transactions denominated in US Dollars (USD), EURO (EUR), Emirati Dirham (AED), Japanese Yen (JPY), British Pounds (GBP) and Swiss franc (CHF). For transactions denominated in USD, there is minimal currency risk since the Saudi Riyal (SR) to USD exchange rate is pledged.

The SR equivalent of monetary financial instruments denominated in major foreign currencies is summarized below:

	December 31, 2020						
	USD	EUR	AED	JPY	GBP	CHF	BHD
Cash and cash equivalents	2,157	605	-	-	-	8	-
Trade receivables	64,666	6,723	9	1,516	-	-	-
Trade and other payables	(48,281)	(3,023)	(620)	(27)	(39)	(86)	3
Total net monetary exposure	18,542	4,305	(611)	1,489	(39)	(78)	3

	December 31, 2019						
	USD	EUR	AED	JPY	GBP	CHF	BHD
Cash and cash equivalents	12,327	1,321	-	-	-	10	-
Trade receivables	53,036	8,676	10	1,448	28	95	-
Trade and other payables	(16,589)	(1,639)	(4)	-	(20)	(224)	-
Total net monetary exposure	48,774	8,358	6	1,448	8	(119)	-

28.3.2 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 Group's exposure to the risk of changes in market rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Detail of floating rate borrowings are as follows:

Financial liabilities	December 31, 2020	December 31, 2019
Long term borrowings	100,134	136,748

The following table demonstrates the sensitivity of profit to reasonably possible changes in interest rates, with all other variables held constant.

	Increase / decrease in basis points of interest rates	**Effect on profit for the year**
'Year ended 31 December 2020	+100	7 585
	-100	(7,585)
'Year ended 31 December 2019	+100	8,047
	-100	(8,047)

The Group monitors the fluctuations in market rates upon significant changes and assess the impact on Group's performance. The Group manages its borrowings made at floating rates as per the Group policies.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (Continued)

28.4 CAPITAL 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

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).

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

	December 31, 2020	December 31, 2019
Total debt	753,167	791,517
Less: Cash and bank balances	(6,163)	(24,381)
Net debt	747,004	767,136
Total equity	286,619	315,331
Total capital employed	1,033,623	1,082,467
Gearing ratio	72 %	71 %

29. CONTINGENCIES AND COMMITMENTS

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

	December 31, 2020	December 31, 2019
Letters of credit	9,765	17,608
Letters of guarantee	8,811	8,845

30. CORRECTION OF ERROR

The group had earlier recorded its employee house ownership plan for villas allotted to employees and amounts receivables from employees in future at discounted values. In the current year Group has identified that this has been incorrectly applied in previous year and accordingly corrections were made in the consolidated financial statements.

Impact on Consolidated Statement of Financial Position as of January 01, 2019:

Description	As previously reported	Increase / (decrease)	After adjustment
Non current assets			
Property, plant and equipment	753,654	51,270	804,924
Deferred cost	91,269	(54.203)	37,066
Investment property	75,750	1	75,751
Long Term Prepaid Employees' Benefit – non current	110,392	2,597	112,989
Current assets			
Long Term Prepaid Employees' Benefit – current	4,915	335	5,250

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. CORRECTION OF ERROR (Continued):

Impact on consolidated statement of financial position as of December 31, 2019:

Description	As previously reported	Increase / (decrease)	After adjustment
Non current assets			
Property, plant and equipment	725,840	41,219	767,059
Deferred cost	76,446	(38,900)	37,546
Long Term Prepaid Employees' Benefit – non current	107,286	7,306	114,592
Current assets			
Long Term Prepaid Employees' Benefit – current	5,798	(712)	5,086
Equity			
Accumulated losses	10,633	(8,912)	1,721

Impact on consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019:

Description	As previously reported	Increase / (decrease)	After adjustment
Statement of consolidated profit or loss:			
General administrative expenses	33,118	(13,997)	19,121
Finance cost , net	17,939	5,085	23,024
Net profit for the year	1,176	8,912	10,088

Reclassification of unalloted units:
Previously, the unalloted villas were classified under long term prepaid employees benefit. This have been reclassified to "property, plant and equipment" for better presentation.

Reclassification of accrued interest and commission:
Previously in the year ended December 31, 2018, accrued interest and commission on loans was shown separately in accrued and other liabilities. This has now been grouped with current portion of long term loans and short term loans.

31. SUBSEQUENT EVENTS

In the opinion of the management, there have been no other significant subsequent events since the year end that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

32. EFFECTS OF COVID 19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and declared as Public Health Emergency of International Concern on January 30, 2020 by World Health Organization. Covid-19 has spread across multiple geographic regions around the world, causing disruptions to businesses and economic activity. The spread of Covid-19 was reported in Saudi Arabia in March 2020, resulting in lockdown of major cities. Group has evaluated the Covid-19 related effects in respect of current and future operation. Based on the assessment performed, adjustments where necessary have been recognized in these financial statements. As the situation is fluid and rapidly evolving, accordingly the estimates, assumptions and judgments made by the Group in respect of the carrying amounts of assets and liabilities as presented in these financial statements represent their best estimate under the current circumstances.

33. COMPARATIVE INFORMATION

Certain comparative information has been rearranged / reclassified in order to conform to the presentation adopted in the current year.

34. APPROVAL OF CONSOLIDATED FINANCIALS STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Group's Board of Directors on March 29, 2021 corresponding to Shah'ban 16,1442H.