METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)

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

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditor's report to the shareholders of Methanol Chemicals Company

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We 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 Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key Audit Matters	• Impairment assessment of non-current assets; and • Restructuring of long-term borrowings

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent auditor's report to the shareholders of Methanol Chemicals Company (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of non-current assets	
As at 31 December 2020, the Company has non-current assets of Saudi Riyals 1.4 billion. At each reporting date, the Company reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amounts of non-current assets may not be recoverable. If any impairment indicators exist, management performs a detailed impairment assessment by calculating the recoverable amounts for the non-current assets at the respective Cash-Generating Unit ("CGU") level and comparing them against their carrying amounts. For the purpose of the financial statements for the year ended 31 December 2020, management identified the decrease in the current and forecasted prices of the Company's products due to COVID-19 as an impairment indicator and, accordingly, performed detailed impairment assessments for all the non-current assets at the respective CGU level. In determining the recoverable amounts, management estimated the value-in-use for the non-current assets at the respective CGU level based on the business plans as approved by the Company's Board of Directors which reflect management's expected view of the external market conditions and certain key internal variables including estimation of appropriate growth and discount rates. Management has concluded that the recoverable amounts for non-current assets of certain of the Company's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of Saudi Riyals 157.1 million for the year ended 31 December 2020.	Our audit procedures included the following: • Assessed the reasonableness of management's identification of the Company's CGUs. • Evaluated management's assessment of the existence of impairment indicators. • Evaluated the design and implementation of key controls over the impairment assessment process comprising of existence of impairment indicators and estimation of recoverable amounts. • Evaluated the reasonableness of management's assumptions used in the value-in-use workings to determine the recoverable amounts for the non-current assets at the respective CGU level. This included: (i) Assessing the appropriateness of the methodology and accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models;

Independent auditor's report to the shareholders of Methanol Chemicals Company (continued)

Key audit matter	How our audit addressed the Key audit matter
We considered this as a key audit matter as the assessment of recoverable amounts of the non-current assets requires significant estimations and judgments including product pricing, future economic and market conditions, growth and discount rates. Refer to Note 2.12 to the accompanying financial statements for the accounting policy relating to the impairment of non-current assets, Note 3 to the accompanying financial statements for the disclosure of critical accounting estimates and judgments and Note 10 to the accompanying financial statements for disclosure of other matters related to impairment of non-current assets.	(ii) Testing the reasonableness of discount and growth rates used in such discounted cash flow models. Our internal experts were engaged to assist us to assess the reasonableness of the discount rate used; (iii) Evaluating the competence, capability and objectivity of the expert used by management for providing the price forecasts used in the approved business plans and evaluated the appropriateness of such expert's work; and (iv) Performing sensitivity analyses over key assumptions in the discounted cash flow models in order to assess the potential impact of a range of possible outcomes. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditor's report to the shareholders of Methanol Chemicals Company (continued)

Key audit matter	How our audit addressed the Key audit matter
Restructuring of long-term borrowings	
At 31 December 2020, the Company's current liabilities exceeded its current assets by Saudi Riyals 504.7 million, primarily due to: • the current portion of long-term borrowings amounting to Saudi Riyals 556.4 million based on their maturity profile; and • classification of the non-current portion of long-term borrowings amounting to Saudi Riyals 178.3 million due to non-compliance of a covenant related to the Company's borrowing agreements, which is considered an event of default resulting in the outstanding amounts to be repayable on demand. Subsequent to 31 December 2020, the Company signed agreements with the lender institutions, after prolonged negotiations initiated in the second quarter of 2020, to principally restructure the repayments of the above long-term borrowings starting 2021 through 2028. Based on the restructured repayment profile of the long-term borrowings, management of the Company does not expect to face any liquidity issues in the short to medium term. We considered this as a key audit matter as the finalisation of the restructuring of the repayments the Company's long-term borrowings, subsequent to 31 December 2020, has a significant impact on the going concern assessment of the Company as at 31 December 2020. Refer to Notes 1 and 18 to the accompanying financial statements for disclosure of matters related to the restructuring of the Company's long-term borrowings.	Our audit procedures included the following: • Obtained the Company's Board of Directors' resolutions to approve the restructuring of the repayments of the Company's long-term borrowings; • Obtained the signed restructuring agreements and other relevant information and assessed: (i) that the effective date of the restructuring was subsequent to 31 December 2020 and before the date of approval of the accompanying financial statements; and (ii) the adequacy and appropriateness of the related disclosures in the accompanying financial statements. • Concluded on the appropriateness of management's use of the going concern basis of accounting as at 31 December 2020 by taking into consideration the impact of the restructuring subsequent to 31 December 2020.

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Independent auditor's report to the shareholders of Methanol Chemicals Company (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Board of Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the shareholders of Methanol Chemicals Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

28 March 2021

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/٢
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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/2
C.R. 2051062384

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2020	2019
Revenue	4	**495,709,267**	527,239,600
Cost of sales	5	**(477,783,461)**	(467,780,631)
Impairment loss	10	**(157,098,539)**	-
Gross margin		**(139,172,733)**	59,458,969
Selling and distribution expenses	6	**(54,305,819)**	(53,366,239)
General and administrative expenses	7	**(37,631,031)**	(43,070,308)
Other operating expenses - net	8	**(5,306,979)**	(3,658,203)
Operating loss		**(236,416,562)**	(40,635,781)
Finance costs	9	**(33,234,968)**	(41,230,291)
Finance income	15	**659,502**	3,698,472
Finance costs - net		**(32,575,466)**	(37,531,819)
Loss before zakat		**(268,992,028)**	(78,167,600)
Zakat expense	22	**(7,102,278)**	(5,907,901)
Loss for the year		**(276,094,306)**	(84,075,501)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	19	**813,272**	(3,159,303)
Total comprehensive loss for the year		**(275,281,034)**	(87,234,804)
Loss per share:			
Basic and diluted	27	**(2.29)**	(0.70)

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

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 25 March 2021 and were signed on their behalf by:

Abdullah A. Al-Hajri Chief Financial Officer	Ali Al-Asiri Chief Executive Officer	Abdullah Ali Al Sanea Chairman

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
		As at 31 December	
Assets			
Non-current assets			
Property, plant and equipment	1, 10	**1,327,756,532**	1,562,117,973
Right-of-use assets	11	**21,893,266**	27,411,033
Intangible assets	12	**5,442,675**	8,921,152
Total non-current assets		**1,355,092,473**	1,598,450,158
Current assets			
Inventories	13	**98,516,049**	123,109,714
Trade and other receivables	14	**140,211,951**	108,391,471
Cash and cash equivalents	15	**84,082,213**	113,086,237
Total current assets	1	**322,810,213**	344,587,422
Total assets		**1,677,902,686**	1,943,037,580
Equity and liabilities			
Equity			
Share capital	16	**1,206,000,000**	1,206,000,000
Share premium		**72,850,071**	72,850,071
Statutory reserve	17	**44,118,693**	44,118,693
Accumulated deficit		**(544,437,034)**	(269,156,000)
Total equity		**778,531,730**	1,053,812,764
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**-**	587,366,332
Lease liabilities	11	**22,924,115**	25,677,141
Employee benefit obligations	19	**48,892,233**	47,725,116
Total non-current liabilities		**71,816,348**	660,768,589
Current liabilities			
Trade and other payables	20	**87,186,455**	76,508,865
Current portion of long-term borrowings	18	**732,191,522**	144,883,286
Current portion of lease liabilities	11	**1,176,631**	1,114,076
Zakat payable	22	**7,000,000**	5,950,000
Total current liabilities	1	**827,554,608**	228,456,227
Total liabilities		**899,370,956**	889,224,816
Total equity and liabilities		**1,677,902,686**	1,943,037,580

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

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 25 March 2021 and were signed on their behalf by:

Abdullah A. Al-Hajri	**Ali Al-Asiri**	**Abdullah Ali Al Sanea**
Chief Financial Officer	**Chief Executive Officer**	**Chairman**

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Accumulated deficit	Total
At 1 January 2019	1,206,000,000	72,850,071	44,118,693	(181,921,196)	1,141,047,568
Loss for the year	-	-	-	(84,075,501)	(84,075,501)
Other comprehensive loss for the year	-	-	-	(3,159,303)	(3,159,303)
Total comprehensive loss for the year	-	-	-	(87,234,804)	(87,234,804)
At 31 December 2019	1,206,000,000	72,850,071	44,118,693	(269,156,000)	1,053,812,764
Loss for the year	-	-	-	**(276,094,306)**	**(276,094,306)**
Other comprehensive income for the year	-	-	-	**813,272**	**813,272**
Total comprehensive loss for the year	-	-	-	**(275,281,034)**	**(275,281,034)**
At 31 December 2020	**1,206,000,000**	**72,850,071**	**44,118,693**	**(544,437,034)**	**778,531,730**

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

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 25 March 2021 and were signed on their behalf by:

Abdullah A. Al-Hajri
Chief Financial Officer

Ali Al-Asiri
Chief Executive Officer

Abdullah Ali Al Sanea
Chairman

METHANOL CHEMICALS COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Loss before zakat		**(268,992,028)**	(78,167,600)
Adjustments for:			
Depreciation and amortisation	10, 11, 12	**123,031,889**	121,162,551
Impairment loss	10	**157,098,539**	-
Loss on disposal of property and equipment		**1,055,798**	-
Write-off of property, plant and equipment		**360,838**	3,882,526
Finance costs - net		**32,575,466**	37,531,819
Provision for employee benefit obligations	19	**6,990,088**	7,195,969
Changes in operating assets and liabilities:			
Decrease (increase) in inventories		**24,593,665**	(4,878,526)
(Increase) decrease in trade and other receivables		**(31,922,755)**	52,324,428
Increase (decrease) in trade and other payables		**10,209,714**	(11,333,593)
Cash generated from operations		**55,001,214**	127,717,574
Finance costs paid on borrowings		**(28,177,944)**	(36,860,542)
Finance costs paid on lease liabilities		**(1,365,120)**	(1,424,350)
Finance income received on short-term murabaha deposits		**761,777**	4,062,025
Zakat paid	22	**(6,052,278)**	(7,936,123)
Employee benefit obligations paid	19	**(4,541,823)**	(3,516,945)
Net cash inflow from operating activities		**15,625,826**	82,041,639
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	10	**(38,351,968)**	(37,056,951)
Proceeds from disposal of property and equipment		**162,589**	1,162
Redemption of short-term murabaha deposits		**-**	63,000,000
Net cash (outflow) inflow from investing activities		**(38,189,379)**	25,944,211
Cash flows from financing activities			
Repayments of long-term borrowings		**(3,750,000)**	(113,668,500)
Principal elements of lease payments		**(2,690,471)**	(1,054,846)
Total cash outflow from financing activities		**(6,440,471)**	(114,723,346)
Net decrease in cash and cash equivalents		**(29,004,024)**	(6,737,496)
Cash and cash equivalents at beginning of year		**113,086,237**	119,823,733
Cash and cash equivalents at end of year	15	**84,082,213**	113,086,237
Non-cash operating, investing and financing activities:			
Right-of-use assets recorded against lease liabilities		**-**	27,846,063
Prepaid lease rentals adjusted against right-of-use assets		**-**	1,712,667

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

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 25 March 2021 and were signed on their behalf by:

Abdullah A. Al-Hajri	**Ali Al-Asiri**	**Abdullah Ali Al Sanea**
Chief Financial Officer	**Chief Executive Officer**	**Chairman**

1 General information

Methanol Chemicals Company (the "Company" or "Chemanol") is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Aritheretol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia and operating under Commercial Registration ("CR") number 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428 H (9 January 2008). The financial statements include the accounts of the Company and its branch registered in Jubail under CR number 2055001870 dated 28 Dhu al-Hijjah 1409 H (1 August 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

COVID-19 and impairment loss

Due to the advent of COVID-19, during the first half of 2020, the Company witnessed a decline in its export revenues primarily due to certain key markets and countries being locked down by their respective governments as a measure to prevent the spread of COVID-19. From July 2020, export revenues increased as the lockdowns in such key markets and countries were either lifted or relaxed. However, starting September 2020, there was a significant increase in the number of COVID-19 infections globally which subsequently resulted in certain key markets and countries being locked down again as a measure to prevent the spread of the second wave of COVID-19. The increased uncertainty around the short to medium term demand of the Company's products also resulted in a significant decrease in the current and forecasted prices of such products. Accordingly, management revised its business plans, taking into account the most recent available information. Based on the approved business plans, the Company updated the value-in-use workings for non-current assets at the respective Cash Generating Unit ("CGU") level and determined that the recoverable amounts of the non-current assets of certain CGUs were lower than their carrying amounts. Accordingly, the Company recorded an impairment loss of Saudi Riyals 157.1 million in the 2020 financial statements. Also see Note 10.

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

Net current liability position at 31 December 2020

At 31 December 2020, the Company's current liabilities exceeded its current assets by Saudi Riyals 504.7 million, primarily due to:

- the current portion of long-term borrowings amounting to Saudi Riyals 556.4 million based on their maturity profile ; and

- classification of the non-current portion of long-term borrowings amounting to Saudi Riyals 178.3 million due to non-compliance of a covenant related to the Company's borrowing agreements, which is considered an event of default resulting in the outstanding amounts to be repayable on demand.

Subsequent to 31 December 2020, the Company has agreed with the respective lender institutions to restructure its long-term borrowings. The related restructuring agreements were signed in 2021 which resulted in the Company having a positive current ratio. The impact of such restructuring is explained in Note 18.

Equity restructuring

On 11 October 2020, the Company's Board of Directors recommended to the Company's shareholders to restructure its equity structure by:

- reducing the Company's share capital through cancelling a certain number of shares against the Company's accumulated deficit; and
- increasing the Company's share capital through a rights issue.

The Company has appointed a financial advisor to manage the restructuring process and is currently in process of obtaining the required regulatory approvals before calling for an extraordinary general assembly meeting of the Company's shareholders to resolve and approve the equity restructuring. Management of the Company expects to complete the restructuring process by 30 June 2021.

Going concern assessment

Subsequent to restructuring of the Company's long-term borrowings, management of the Company believes that the Company will have sufficient liquidity available to meet its liabilities at least during the twelve-month period from the date of approval of the 2020 financial statements. Accordingly, the 2020 financial statements have been prepared on a going concern basis. Management of the Company also believes that the proceeds from the expected rights issue will further support the liquidity position of the Company in the medium to long term.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of financial statements of the Company are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Historical cost convention

The financial statements are prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

(c) New standards and amendment to standards and interpretations

There are no new standards applicable to the Company, however, certain amendments to standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

There are no other IFRSs or International Financing Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Company.

(d) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue from contracts with customers

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognises revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.3 Finance income

Finance income is calculated using the effective interest rate method.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.5 Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Additional zakat, if any, is accounted for when determined to be required for payment.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes.

2.6 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and which are reviewed by the Chief Operating Decision Maker of the Company.

The Board of Directors of the Company has appointed a Chief Executive Officer, who assesses the financial performance and position of the Company, and makes strategic decisions. Chief Executive Officer has been identified as being the Chief Operating Decision Maker.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the Chief Operating Decision Maker of the Company.

2.7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis. Depreciation is charged to profit or loss.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Company expects their useful life to be more than one year.

Catalysts are treated as capital spares and are depreciated as and when put into use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated costs are immediately expensed and the new turnaround costs are depreciated over the period until the date of the next planned turnaround.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of impairment loss.

Assets in the course of construction or development are capitalised in the construction-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of construction-in-progress comprises its purchase price, construction / development cost and any other cost 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. Construction-in-progress is not depreciated.

2.9 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is charged to profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the disposal proceeds and carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives which are between 4 to 20 years.

2.11 Financial instruments

2.11.1 Financial assets

(i) Classification

The Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and derecognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Subsequent measurement of Company's financial assets is at amortised cost. Interest income from financial assets is measured and recognised in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised in profit or loss.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the expected weighted average rate of increase in inflation for the upcoming year in the regions where its sales are concentrated as the most relevant factor and accordingly, adjusts the loss rates based on such expected changes.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.11.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

To assess whether the modification of terms of an existing liability results in substantial modification or not, the Company only assesses the quantitative factors and not the qualitative factors. If, the modification of terms does not result in a substantial modification of a financial liability, the resultant gain or loss is recognised in profit or loss.

2.11.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the assets and liabilities simultaneously.

2.12 Impairment of non-financial assets

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

Impairment losses of continuing operations are charged to profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2.13 Inventories

Raw materials, consumables and spare parts, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.14 Trade receivables

Trade receivables are carried at the transaction price related to a performance obligation less allowance for ECL on trade receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using effective interest rate method.

2.15 Short-term murabaha deposits

Short-term murabaha deposits include placements in murabaha deposits with banks and other short-term highly liquid investments, with original maturities of more than three months but not more than one year from the date of acquisition. Short-term murabaha deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk, hence a provision, if material, is recognised at an amount equal to twelve months' expected credit loss, unless there is evidence of significant increase in credit risk of the counter party.

2.16 Cash and cash equivalents

Cash is cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

2.17 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.19 Borrowings

Borrowings are initially recognised at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is amortised over the period of the facility to which it relates.

Borrowings are derecognised from the 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 recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. 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 capitalisation. Other borrowing costs are charged to profit or loss in the period in which they are incurred.

2.21 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit scheme is not funded. Valuation of the obligations under the plan is carried out by an independent actuary based on the projected unit credit method. The costs relating to such plan primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of the liability at discount rates used are charged to profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are charged to profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor laws of the Kingdom of Saudi Arabia.

(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments

The preparation of financial information in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Impairment of property, plant and equipment

Management tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGUs may be impaired mainly include the following:

- A significant decrease in the market prices of Company's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- A current-period operating loss combined with a history and forecast of operating losses.

Management has identified the decrease in the current and forecasted prices of the Company's products due to COVID-19 as an impairment indicator and has determined the recoverable amounts for non-current assets at the respective CGU level based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate and growth rate applicable to the circumstances of the Company.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Company. Also see Note 10.

4 Revenue

The Company derives revenue from the sale of goods at a point in time.

	2020	**2019**
Export sales	**376,904,857**	415,425,045
Local sales	**118,804,410**	111,814,555
	495,709,267	527,239,600

The Company does not expect to have any contracts where the period between the transfer of goods to the customer and payment by the customer exceeds one year, and accordingly, the transaction prices are not adjusted for the time value of money.

As per the contracts with the customers, there is no financing, non-cash consideration or consideration payable to customer involved in transaction price.

There were no significant returns, refunds and warranties provided by the Company on sale of its products. The contract liability balance only relates to advances from customers as at 31 December 2020 and 2019.

Revenue recognised, during the year, that was included in the contract liability at the beginning of the year ended 31 December 2020 amounted to Saudi Riyals 4.0 million (2019: Saudi Riyals 1.8 million).

(All amounts in Saudi Riyals unless otherwise stated)

5 Cost of sales

	Note	2020	2019
Raw materials and consumables used		**226,196,849**	205,606,565
Depreciation	10, 11	**119,761,094**	116,664,421
Salaries, wages and benefits		**105,550,862**	112,087,140
Repairs and maintenance		**13,569,892**	11,109,948
Insurance		**9,756,567**	6,053,408
Amortisation	12	**1,298,608**	1,850,544
Other		**1,649,589**	14,408,605
		477,783,461	467,780,631

6 Selling and distribution expenses

	Note	2020	2019
Freight cost		**36,725,654**	36,863,407
Salaries and benefits		**8,534,557**	9,752,994
Sales commission		**2,275,280**	3,166,355
Depreciation	10, 11	**803,994**	947,930
Other		**5,966,334**	2,635,553
		54,305,819	53,366,239

7 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**19,043,897**	21,528,271
Information and technology consultancy services		**5,147,635**	4,717,376
Repairs and maintenance		**2,253,548**	2,617,407
Board of directors' fees	21	**2,021,140**	2,266,654
Professional and legal fees		**1,334,852**	3,202,940
Depreciation	10	**1,138,199**	1,643,185
Amortisation	12	**29,994**	56,471
Other		**6,661,766**	7,038,004
		37,631,031	43,070,308

(All amounts in Saudi Riyals unless otherwise stated)

8 Other operating expenses - net

	2020	**2019**
Bank charges	**(3,944,486)**	(3,753,833)
Loss on disposal of property and equipment	**(1,055,798)**	-
Write-off of property, plant and equipment	**(360,838)**	-
Other, net	**54,143**	95,630
	(5,306,979)	(3,658,203)

9 Finance costs

	Note	**2020**	**2019**
Finance costs on borrowings	18	**29,308,714**	36,824,426
Amortisation of transaction costs	18	**2,561,134**	2,981,515
Finance costs on lease liabilities	11	**1,365,120**	1,424,350
		33,234,968	41,230,291

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment

	1 January	Additions	Disposals	Write-offs	Impairment	Transfers	31 December
2020							
Cost							
Buildings and leasehold improvements	365,749,596	14,400	-	(7,271,734)	-	153,405	**358,645,667**
Plant, machinery and equipment	2,796,106,968	15,984,000	(1,633,390)	(71,995,266)	-	12,215,373	**2,750,677,685**
Furniture, fixtures and office equipment	30,254,512	406,454	(845,983)	(2,640,184)	-	-	**27,174,799**
Planned turnaround costs	91,125,381	11,337,931	(1,218,587)	(55,584,632)	-	5,344,963	**51,005,056**
Vehicles	3,927,760	-	(707,400)	-	-	-	**3,220,360**
Construction-in-progress	24,666,953	10,609,183	-	(187,625)	-	(17,713,741)	**17,374,770**
	3,311,831,170	38,351,968	(4,405,360)	(137,679,441)	-	-	**3,208,098,337**
Accumulated depreciation and impairment							
Buildings and leasehold improvements	(138,256,869)	(9,917,227)	-	7,101,310	(18,669,345)	-	**(159,742,131)**
Plant, machinery and equipment	(1,509,927,580)	(94,805,338)	979,012	71,995,255	(132,864,864)	-	**(1,664,623,515)**
Furniture, fixtures and office equipment	(28,593,253)	(729,672)	830,343	2,637,419	-	-	**(25,855,163)**
Planned turnaround costs	(69,559,659)	(13,951,656)	670,223	55,584,619	-	-	**(27,256,473)**
Vehicles	(3,375,836)	(196,082)	707,395	-	-	-	**(2,864,523)**
	(1,749,713,197)	(119,599,975)	3,186,973	137,318,603	(151,534,209)	-	**(1,880,341,805)**
Net book value	1,562,117,973						**1,327,756,532**

(All amounts in Saudi Riyals unless otherwise stated)

	1 January	Additions	Disposals	Write-offs	Impairment	Transfers	31 December
2019							
Cost							
Buildings and leasehold improvements	365,591,326	158,270	-	-	-	-	365,749,596
Plant, machinery and equipment	2,774,463,409	13,041,042	-	(1,671,193)	-	10,273,710	2,796,106,968
Furniture, fixtures and office equipment	29,919,619	340,892	(5,999)	-	-	-	30,254,512
Planned turnaround costs	87,953,872	1,626,366	-	-	-	1,545,143	91,125,381
Vehicles	3,439,760	488,000	-	-	-	-	3,927,760
Construction-in-progress	18,688,019	21,402,381	-	(3,604,594)	-	(11,818,853)	24,666,953
	3,280,056,005	37,056,951	(5,999)	(5,275,787)	-	-	3,311,831,170
Accumulated depreciation and impairment							
Buildings and leasehold improvements	(128,101,068)	(10,155,801)	-	-	-	-	(138,256,869)
Plant, machinery and equipment	(1,418,261,646)	(93,059,195)	-	1,393,261	-	-	(1,509,927,580)
Furniture, fixtures and office equipment	(27,268,169)	(1,329,921)	4,837	-	-	-	(28,593,253)
Planned turnaround costs	(57,133,904)	(12,425,755)	-	-	-	-	(69,559,659)
Vehicles	(3,238,669)	(137,167)	-	-	-	-	(3,375,836)
	(1,634,003,456)	(117,107,839)	4,837	1,393,261	-	-	(1,749,713,197)
Net book value	1,646,052,549						1,562,117,973

(All amounts in Saudi Riyals unless otherwise stated)

a) Construction-in-progress balance as at 31 December 2020 principally represents costs incurred on certain expansion projects. The Company expects such projects to be completed in 2021.

b) During the year ended 31 December 2020, the Company shut down certain of its plants for scheduled periodic maintenance for a period of 23 days. The Company incurred turnaround and related costs of Saudi Riyals 11.3 million related to such maintenance which were capitalised under property, plant and equipment in the 2020 financial statements.

c) The Company's production facilities are constructed on land parcels leased from the Royal Commission for Jubail and Yanbu (the "Royal Commission") at annual rent for the years ranging from 10 to 30 Hijri years with an option to renew on similar terms upon expiry.

d) Depreciation is charged to profit or loss over the following estimated economic useful lives:

	Number of years
• Buildings and leasehold improvements	5 - 33
• Plant, machinery and equipment	3 - 35
• Furniture, fixtures and office equipment	3 - 10
• Vehicles	4

e) Impairment loss

As explained in Note 1, management identified the decrease in the current and forecasted prices of the Company's products due to COVID-19 as an impairment indicator. Accordingly, management performed a detailed impairment assessment for all CGUs, representing separate plants, at 31 December 2020 and updated the value-in-use workings for the non-current assets at the respective CGU level based on the approved business plans. Such exercise resulted in an impairment loss on the following CGUs where the recoverable amounts of their non-current assets were lower than their carrying amounts:

a) Methanol
b) Penta Aritheretol ("PENTA")
c) Hexane Methylene Tetramine ("HMT")
d) Sulphonated Naphthalene Formaldehyde - Powder, Concrete Improvers ("SNF-P")
e) Paraformaldehyde ("PARA")

The carrying amounts, recoverable amounts and resultant impairment loss were as follows:

CGU	**Carrying amounts of CGU**	**Recoverable amount (value-in-use)**	**Impairment loss**
Methanol	613,568,644	522,358,976	91,209,668
PENTA	161,537,308	118,707,283	42,830,025
HMT	17,049,022	10,683,840	6,365,182
SNF-P	8,756,380	3,729,591	5,026,789
PARA	35,000,493	23,333,618	11,666,875
	835,911,847	**678,813,308**	**157,098,539**

(All amounts in Saudi Riyals unless otherwise stated)

The impairment loss has been allocated as follows:

Class of assets	Methanol	PENTA	HMT	SNF-P	PARA	Total
Property, plant and equipment						
Buildings and leasehold improvements	12,833,200	5,364,559	-	-	471,586	**18,669,345**
Plant, machinery and equipment	77,426,473	36,704,990	3,291,053	4,568,163	10,874,185	**132,864,864**
Right-of-use assets	949,995	760,476	924,254	458,626	321,104	**3,414,455**
Intangible assets	-	-	2,149,875	-	-	**2,149,875**
	91,209,668	**42,830,025**	**6,365,182**	**5,026,789**	**11,666,875**	**157,098,539**

As at 31 December 2020, the recoverable amounts of the non-current assets related to the remaining CGUs were higher than their carrying amounts.

The key estimates and assumptions used by the Company's management for the value-in-use calculations were as follows:

- Projected cash flows using approved business plans;
- The discount rate used was approximately 10.3% (2019: 8.1%) based on post-tax weighted average cost of capital;
- A growth rate of 2.0% (2019: 2.0%) considered to project certain cash flows beyond the period covered by the approved business plans; and
- Expected product prices over the period considered for management's assessment.

Management has performed sensitivity analyses around the key estimates and assumptions and believes that:

- A 1% change in the discount rate will result in a change in impairment loss by approximately Saudi Riyals 4.3 million; and
- A 1% change in the forecasted prices will result in a change in impairment loss by approximately Saudi Riyals 15.9 million.

The above sensitivity analyses are 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.

Management of the Company has considered and assessed reasonably possible changes for other estimates and assumptions and has not identified any instances that could cause the carrying amounts of any CGUs' non-current assets to exceed their recoverable amounts.

(All amounts in Saudi Riyals unless otherwise stated)

11 Leases

Right-of-use assets

	1 January	Additions	Impairment	31 December
2020				
Cost				
Land	25,712,372	-	-	**25,712,372**
Warehouses and storage tanks	3,846,358	-	-	**3,846,358**
	29,558,730	-	-	**29,558,730**
Accumulated depreciation and impairment				
Land	(1,317,204)	(1,272,819)	(3,414,455)	**(6,004,478)**
Warehouses and storage tanks	(830,493)	(830,493)	-	**(1,660,986)**
	(2,147,697)	(2,103,312)	(3,414,455)	**(7,665,464)**
Net book value	27,411,033			**21,893,266**

	1 January	Additions	Impairment	31 December
2019				
Cost				
Land	25,712,372	-	-	25,712,372
Warehouses and storage tanks	3,846,358	-	-	3,846,358
	29,558,730	-	-	29,558,730
Accumulated depreciation and impairment				
Land	-	(1,317,204)	-	(1,317,204)
Warehouses and storage tanks	-	(830,493)	-	(830,493)
	-	(2,147,697)	-	(2,147,697)
Net book value	29,558,730			27,411,033

Also see Note 10.

	2020	2019
Lease liabilities		
As at 1 January	**26,791,217**	27,846,063
Finance cost	**1,365,120**	1,424,350
Repayments	**(4,055,591)**	(2,479,196)
As at 31 December	**24,100,746**	26,791,217

Lease liabilities are presented in the statement of financial position as follows:

Non-current liabilities	**22,924,115**	25,677,141
Current liabilities	**1,176,631**	1,114,076
	24,100,746	26,791,217

Maturity profile of lease liabilities is disclosed in Note 23.2.

(All amounts in Saudi Riyals unless otherwise stated)

i) Other amounts recognised in profit and loss

Expense relating to short-term and low-value leases (included in selling and marketing and general and administrative expenses) recognised during the year ended 31 December 2020 amounted to Saudi Riyals 1.8 million (2019: Saudi Riyals 1.0 million).

The total cash outflow for leases in 2020 was Saudi Riyals 5.7 million (2019: Saudi Riyals 3.8 million).

ii) Additional information about the Company's leasing activities

The Company has leases in respect of various parcels of land, a warehouse facility and a storage tank. Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Low-value assets comprise computer and technology equipment and certain storage tanks.

Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

12 Intangible assets

	Computer software	Payment to acquire contractual rights of pipeline	Total
2020			
Cost			
1 January and 31 December	**23,341,098**	**15,750,000**	**39,091,098**
Accumulated amortisation and impairment			
1 January	(22,688,696)	(7,481,250)	**(30,169,946)**
Charge	(596,228)	(732,374)	**(1,328,602)**
Impairment	-	(2,149,875)	**(2,149,875)**
31 December	**(23,284,924)**	**(10,363,499)**	**(33,648,423)**
Net book value			
31 December	**56,174**	**5,386,501**	**5,442,675**

(All amounts in Saudi Riyals unless otherwise stated)

	Computer software	Payment to acquire contractual rights of pipeline	Total
2019			
Cost			
1 January	25,008,775	15,750,000	40,758,775
Write-off	(1,667,677)	-	(1,667,677)
31 December	23,341,098	15,750,000	39,091,098
Accumulated amortisation			
1 January	(23,236,858)	(6,693,750)	(29,930,608)
Charge	(1,119,515)	(787,500)	(1,907,015)
Write-off	1,667,677	-	1,667,677
31 December	(22,688,696)	(7,481,250)	(30,169,946)
Net book value			
31 December	652,402	8,268,750	8,921,152

Also see Note 10.

13 Inventories

	2020	2019
Finished products	**12,671,347**	28,512,020
Raw materials	**15,033,505**	19,971,728
Consumables and spare parts, held not for sale	**72,414,851**	76,127,274
Goods-in-transit	**20,232,872**	18,242,196
Other	**3,007,544**	3,932,887
	123,360,119	146,786,105
Less: provision for slow-moving inventories	**(24,844,070)**	(23,676,391)
	98,516,049	123,109,714

Finished products at 31 December 2020 have been written-down by Saudi Riyals 1.2 million (2019: Saudi Riyals 1.0 million) to bring them to their net realisable values. The resulting loss has been charged to "Cost of sales" in the statement of comprehensive income.

The movement in provision for slow-moving inventories is as follows:

	2020	2019
1 January	**23,676,391**	15,490,667
Provision	**1,167,679**	8,185,724
31 December	**24,844,070**	23,676,391

(All amounts in Saudi Riyals unless otherwise stated)

14 Trade and other receivables

	Note	2020	2019
Trade receivables		**119,003,490**	81,870,466
Less: allowance for ECL on trade receivables	14.2	**(1,564,645)**	(1,714,645)
		117,438,845	80,155,821
Prepayments		**6,301,980**	6,742,446
Advances to suppliers		**2,243,227**	6,021,384
Advances to employees		**4,814,580**	6,443,360
Other		**9,413,319**	9,028,460
		140,211,951	108,391,471

14.1 The Company has assessed expected lifetime losses pertaining to trade receivables as per the simplified approach as permitted by IFRS 9. Trade receivables are due based on individual credit terms of each customer. There were no contracts with a significant financing component or variable consideration during the years ended 31 December 2020 and 2019. As at 31 December 2020, trade receivables of Saudi Riyals 18.4 million (2019: Saudi Riyals 18.2 million) were past due but not impaired. These relate to a number of individual customers for whom there is no history of default. Aging profile of trade receivables is as follows:

	2020	2019
Current	**100,624,572**	63,677,796
Up to 3 months	**16,687,896**	16,390,077
4 to 6 months	**160,968**	276,814
7 to 12 months	**72,033**	3,265
Over 12 months	**1,458,021**	1,522,514
	119,003,490	81,870,466

The Company considers any trade receivables overdue for more than a year to be in default and are accordingly fully provided for. The loss rates for the other ageing brackets are not significant.

14.2 The movement in allowance for ECL on trade receivables is as follows:

	2020	2019
1 January	**1,714,645**	1,216,125
(Reversal) charge	**(150,000)**	498,520
31 December	**1,564,645**	1,714,645

14.3 The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable.

14.4 The Company does not hold any collateral as security.

(All amounts in Saudi Riyals unless otherwise stated)

15 Cash and cash equivalents

	2020	2019
Cash in hand	-	10,000
Cash at bank	**23,082,213**	52,576,237
Time deposits	**61,000,000**	60,500,000
	84,082,213	113,086,237

Time deposits are murabaha deposits placed with commercial banks, with a maturity period of three months or less from date of placement, and yield finance income at rates ranging from 0.25% to 2.00% per annum (2019: 1.60% to 2.20% per annum).

16 Share capital

As at 31 December 2020 and 2019, the authorised, issued and fully paid-up share capital comprised 120.6 million ordinary shares of Saudi Riyals 10 per share.

17 Statutory reserve

In accordance with the Company's By-laws and Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is currently not available for distribution to the shareholders of the Company. No such transfer was made for the years ended 31 December 2020 and 2019 due to net loss and accumulated deficit for these years.

18 Long-term borrowings

	2020	2019
Saudi Industrial Development Fund ("SIDF")	**245,000,000**	245,000,000
Murabaha Facilities	**486,497,450**	490,247,450
	731,497,450	735,247,450
Accrued finance costs	**3,236,006**	2,105,236
Less: unamortised transaction costs	**(2,541,934)**	(5,103,068)
	732,191,522	732,249,618
Long-term borrowings are presented in the statement of financial position as follows:		
Long-term borrowings	-	587,366,332
Current portion of long-term borrowings	**732,191,522**	144,883,286
	732,191,522	732,249,618

Movement in long-term borrowings is as follows:

	Note	2020	2019
1 January		**732,249,618**	842,972,719
Finance costs for the year	9	**29,308,714**	36,824,426
Amortisation of transaction costs	9	**2,561,134**	2,981,515
Less: repayment of principal		**(3,750,000)**	(113,668,500)
Less: repayment of finance costs		**(28,177,944)**	(36,860,542)
31 December		**732,191,522**	732,249,618

18.1 SIDF borrowing

The borrowing agreement with SIDF provided for a borrowing of Saudi Riyals 600.0 million to finance expansion and construction of the Company's production facilities, which was fully drawn by June 2010. Up-front and annual administrative fees are charged by SIDF under the borrowing agreement.

The covenants of the SIDF borrowing require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. The borrowing is secured by a mortgage of the property, plant and equipment of the Company at 31 December 2020. The carrying value of the SIDF borrowing is denominated in Saudi Riyals.

As at 31 December 2020, the Company was not in compliance with a covenant which is an event of default as per the borrowing agreement. However, there was no impact of such non-compliance on the classification of the borrowing in the 2020 financial statements as the borrowing is already classified as a current liability based on its contractual maturity. During 2020, the Board of Directors of SIDF principally approved, subject to certain conditions precedent ("CPs"), to restructure the amounts outstanding whereby the repayment of the principal amount will be due in two installments in 2022. Also see Note 18.4.

18.2 Murabaha facilities

During 2007, the Company entered into an agreement with a syndicate of banks, namely, Arab Banking Corporation (B.S.C), Riyad Bank, Samba Financial Group, Saudi Hollandi Bank, National Commercial Bank and Saudi British Bank (collectively "Murabaha Facility Participants") to provide Murabaha Facilities for financing of expansion projects. These borrowings bear finance costs based on prevailing market rates which are based on Saudi inter-bank offered rates. As at 31 December 2020, the aggregate maturities of these borrowings are spread in 2021 through 2022.

The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. The carrying values of such long-term borrowings are denominated in Saudi Riyals.

As at 31 December 2020, the Company was not in compliance with a covenant which is an event of default as per the borrowing agreement. Consequently, principal amounts repayable in 2022 amounting to Saudi Riyals 178.3 million became repayable on demand and were accordingly classified under current liabilities in the statement of financial position at 31 December 2020. During 2020, the lender banks provided conditional approvals to restructure the outstanding amounts to 2021 through 2028. Also see Note 18.4.

(All amounts in Saudi Riyals unless otherwise stated)

18.3 Maturity profile of long-term borrowings

	2020	2019
Years ending 31 December:		
2020	-	145,502,750
2021	731,497,450	411,472,900
2022	-	178,271,800
	731,497,450	735,247,450

18.4 Subsequent event - restructuring of long-term borrowings

Subsequent to 31 December 2020, the Company signed agreements with the lender institutions to principally restructure the repayments of the above long-term borrowings starting 2021 through 2028. The restructured maturity profile of long-term borrowings is as follows:

Years ending 31 December:	
2021	44,520,034
2022	259,257,336
2023	19,009,781
2024	33,267,117
2025	38,019,563
Thereafter	337,423,619
	731,497,450

Had the restructuring of repayments of the long-term borrowing agreements of the Company been finalised as at 31 December 2020, with all the other factors held constant, the Company's current assets would have exceeded its current liabilities by Saudi Riyals 182.2 million.

(All amounts in Saudi Riyals unless otherwise stated)

19 Employee benefit obligations

19.1 General description of the plan

The Company operates an unfunded defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2020 for the Company.

	2020	**2019**
1 January	**47,725,116**	41,085,887
Current service cost	**5,452,599**	5,273,306
Interest expense	**1,537,489**	1,922,663
Payments	**(4,541,823)**	(3,516,945)
Transferred to accrued expenses	**(467,876)**	(199,098)
Remeasurements	**(813,272)**	3,159,303
31 December	**48,892,233**	47,725,116

19.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2020	**2019**
Current service cost	**5,452,599**	5,273,306
Interest expense	**1,537,489**	1,922,663
Total amount charged to profit or loss	**6,990,088**	7,195,969
Remeasurements		
Loss (gain) from change in demographic assumptions	**-**	(368,993)
(Gain) loss from change in financial assumptions	**(104,325)**	312,077
(Gain) loss from change in experience adjustments	**(708,947)**	3,216,219
Total amount recognised in other comprehensive income	**(813,272)**	3,159,303

(All amounts in Saudi Riyals unless otherwise stated)

19.3 Key actuarial assumptions

	2020	2019
Discount rate	**2.70%**	3.40%
Salary growth rate	**2.00%**	3.00%

19.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2020				
Discount rate	**1%**	**1%**	**(4,276,487)**	**5,227,352**
Salary growth rate	**1%**	**1%**	**5,211,188**	**(4,344,606)**

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2019				
Discount rate	1%	1%	(4,029,575)	5,174,220
Salary growth rate	1%	1%	5,161,107	(4,098,088)

The 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 defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefits obligation.

19.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 10.0 years (2019: 10.0 years). The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
2020	**3,203,797**	**3,436,132**	**11,468,606**	**136,277,400**	**154,385,935**
2019	3,653,654	3,616,253	11,127,496	156,463,073	174,860,476

20 Trade and other payables

	2020	2019
Trade payables	**46,511,453**	41,174,354
Accrued expenses	**36,850,621**	31,204,477
Advances from customers	**3,683,873**	3,989,526
Other	**140,508**	140,508
	87,186,455	76,508,865

(All amounts in Saudi Riyals unless otherwise stated)

21 Related party transactions

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have significant influence ("other related parties").

(a) Significant transactions entered into by the Company with its related parties comprise of costs and expenses charged by other related parties amounting to Saudi Riyals 81,104 (2019: Nil).

(b) *Key management personnel compensation*

	For the year ended 31 December	
	2020	**2019**
Salaries and other short-term employee benefits	**6,733,125**	7,557,872
Employee benefit obligations	**179,137**	385,280
	6,912,262	7,943,152

(c) *Board of directors' compensation*

During the year ended 31 December 2020, the Board of directors' compensation amounted to Saudi Riyals 2.0 million (2019: Saudi Riyals 2.3 million).

22 Zakat

22.1 Significant components of zakat base

	2020	**2019**
Shareholders' equity at beginning of year	**1,053,812,764**	1,141,047,568
Adjusted net loss	**(266,131,437)**	(65,483,145)
Long-term borrowings	**732,191,522**	732,249,618
Property, plant and equipment, as adjusted	**(1,327,756,532)**	(1,562,117,973)
Other	**(4,596,139)**	(26,134,177)
Approximate zakat base	**187,520,178**	219,561,891

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year. Zakat on adjusted profit for the year is payable at 2.5%.

22.2 Provision for zakat

	2020	**2019**
1 January	**5,950,000**	7,978,222
Provision for the year	**4,988,070**	5,907,901
Adjustment related to prior years	**2,114,208**	-
	7,102,278	5,907,901
Payments	**(6,052,278)**	(7,936,123)
31 December	**7,000,000**	5,950,000

22.3 Status of zakat assessments and certificates

The Company has finalised the zakat status from the GAZT for all years upto 2013.

During 2020, the Company received additional zakat assessments for the years 2014 through 2018 amounting to Saudi Riyals 8.2 million, out of which the Company has paid Saudi Riyals 0.2 million relating to 2017 and 2018. Management of the Company has filed an appeal with the GAZT for the remaining amount of Saudi Riyals 8.0 million relating to 2014 to 2016, and believes that the maximum liability that may arise upon the ultimate resolution of these appeals is Saudi Riyals 2.0 million which has been recorded in the 2020 financial statements.

Zakat assessment for 2019 has not yet been finalised by the GAZT.

The Company has obtained zakat certificates for the years through 2019.

23 Financial risk management

23.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on having cost effective funding as well as managing financial risk to minimize earnings volatility, sufficient liquidity to repay creditors and lender institutions and provide maximum return to shareholders.

(All amounts in Saudi Riyals unless otherwise stated)

23.2 Financial assets and liabilities as per their respective maturities

	Interest / Mark-up bearing			Non-interest / Non mark-up bearing			
	Maturity up to one year	Maturity after one year	Subtotal	Maturity up to one year	Maturity after one year	Subtotal	**Total**
Financial assets							
Trade and other receivables	-	-	**-**	122,253,425	-	**122,253,425**	**122,253,425**
Cash and cash equivalents	61,000,000	-	**61,000,000**	23,082,213	-	**23,082,213**	**84,082,213**
31 December 2020	61,000,000	-	**61,000,000**	145,335,638	-	**145,335,638**	**206,335,638**
31 December 2019	60,500,000	-	60,500,000	145,872,172	-	145,872,172	206,372,172
Financial liabilities							
Long-term borrowings	731,497,450	-	**731,497,450**	3,236,006	-	**3,236,006**	**734,733,456**
Future finance costs on long-term borrowings	25,466,472	148,026,074	**173,492,546**	-	-	**-**	**173,492,546**
Lease liabilities	902,801	36,103,543	**37,006,344**	-	-	**-**	**37,006,344**
Trade and other payables	-	-	**-**	83,502,582	-	**83,502,582**	**83,502,582**
31 December 2020	757,866,723	184,129,617	**941,996,340**	86,738,588	-	**86,738,588**	**1,028,734,928**
31 December 2019	182,214,298	658,327,320	840,541,618	74,624,575	-	74,624,575	915,166,193

Non-financial assets and non-financial liabilities amounting to Saudi Riyals 18.0 million and Saudi Riyals 3.7 million, respectively (2019: Saudi Riyals 15.1 million and Saudi Riyals 4.0 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Revenues of approximately Saudi Riyals 44.1 million are derived from a single customer, based in the Kingdom of Saudi Arabia (2019: Saudi Riyals 75.8 million from a single customer, based in Sweden). The maximum exposure to credit risk is equal to the carrying amount of financial assets. At 31 December 2020, 21% of accounts receivable were due from two customers (2019: Nil). Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a number of independent customers for whom there is no recent history of default. Also see Note 2.11.

Cash and cash equivalents represent low credit risk as they are placed with reputable local banks.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Cash flow forecasting is performed by management on an annual basis. Management also monitors monthly rolling forecasts of the Company's liquidity requirements and takes necessary measures to ensure it has sufficient cash to meet its operational needs.

(iii) Market risk

Market risk is the risk that changes in foreign exchange rate and interest rates will affect the Company's income or value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions and financial instruments are primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollar, management of the Company believes that the currency risk for the financial instruments is not significant.

b) Interest rate risk

Interest rate risk arises due to changes in market interest rates that result in fluctuation in fair value or future cash flows of a financial instrument. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At 31 December 2020, the Company had variable interest bearing financial liabilities of Saudi Riyals 731.5 million (2019: Saudi Riyals 735.2 million), and had the interest rate varied by 1% with all the other variables held constant, net change in loss before zakat for the year would have been approximately Saudi Riyals 4.6 million (2019: Saudi Riyals 5.2 million) lower / higher, mainly as a result of lower / higher financial charges on floating rate borrowings.

c) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

24 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

As at 31 December 2020 and 2019, the fair values of the Company's current financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

25 Categories of financial assets and financial liabilities

As at 31 December 2020 and 2019, all financial assets and financial liabilities were carried at amortised cost.

26 Capital risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Also see Note 1.

(All amounts in Saudi Riyals unless otherwise stated)

The Company monitors capital on the basis of the following gearing ratio:

	Note	2020	2019
Total borrowings	18	**732,191,522**	732,249,618
Less: cash and cash equivalents	15	**(84,082,213)**	(113,086,237)
Net debt		**648,109,309**	619,163,381
Total equity		**778,531,730**	1,053,812,764
Gearing ratio		**83%**	59%

The management does not consider lease liabilities for the purposes of calculating its gearing ratio.

27 Basic and diluted loss per share

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

	For the year ended 31 December	
	2020	**2019**
Loss for the year	**(276,094,306)**	(84,075,501)
Weighted average number of ordinary shares for basic and diluted loss earnings per share	**120,600,000**	120,600,000
Loss per share	**(2.29)**	(0.70)

28 Contingencies and commitments

(i) At 31 December 2020, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 52.7 million and Saudi Riyals 0.01 million, respectively (2019: Saudi Riyals 55.9 million and Saudi Riyals 0.4 million, respectively).

(ii) The capital expenditure contracted by the Company but not incurred till 31 December 2020 was approximately Saudi Riyals 19.6 million (2019: Saudi Riyals 31.7 million).