SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)

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

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Industrial Investment Group Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated 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 Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview

Key audit matters	• Impairment assessment of property, plant and equipment and right-of-use assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	
As at 31 December 2020 and subsequent to the provision for impairment in relation to the Polystyrene production facilities as disclosed in Note 4, the Group has property, plant and equipment (Note 4) of Saudi Riyals 13.0 billion and right-of-use assets (Note 5) of Saudi Riyals 63.3 million. At each reporting date, the Group reviews the carrying amount of these assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of the consolidated financial statements for the year ended 31 December 2020, management identified its cash-generating units ("CGUs") and performed an assessment to conclude that impairment indicators existed. Accordingly, management performed a detailed impairment assessment by calculating the recoverable amounts of the CGUs and comparing them against their carrying amounts subsequent to the provision for impairment in relation to the Polystyrene production facilities. In determining the recoverable amounts, management estimated the value-in-use for the CGUs. Value-in-use was based on management's view of key internal value driver inputs as well as external market conditions such as future product prices as set out in approved business plans. It also required management to make estimates of growth rates beyond the approved business plan period and to determine the most appropriate discount rate. Management has concluded that the recoverable amounts of the CGUs exceeds the carrying amounts resulting in no impairment loss to be recognized for the year ended 31 December 2020.	Our procedures in relation to management's assessment of the recoverability of property, plant and equipment and right-of-use assets included: • Understanding and evaluating the appropriateness of management's identification of the CGUs. • Assessing management's identification of impairment indicators, including the conclusions reached. We also obtained an understanding of the design and implementation of key controls over the impairment assessment process comprising of impairment indicator identification and estimation of recoverable amounts. • Evaluating the reasonableness of management's assumptions and estimates used to determine the recoverable amount of the CGUs. This included: (i) assessing the methodology used by management to estimate the value-in-use by checking the accuracy and appropriateness of the input data in the discounted cash flow model to supporting documentation, such as the approved business plans. We considered the reasonableness of business plans by comparing them to the historical results, particularly with respect to sales pricing. We also obtained an understanding of the basis for the assumptions used by management in the business plans;

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 CGUs requires estimation and judgement around product prices, future economic and market conditions, terminal growth and discount rates. Refer to Note 2.6 to the accompanying consolidated financial statements for the accounting policy relating to impairment of property, plant and equipment and right-of-use assets.	(ii) assessing the appropriateness of the discounted cash flow projections in the calculation of the value-in-use and testing the reasonableness of discount and terminal growth rates. Our internal valuation experts were engaged to assist us in the review of the methodology underlying the value-in-use and to assess the reasonableness of the discount and terminal growth rates; (iii) testing management's discounted cash flow models used in the calculation of the value-in-use for mathematical accuracy and logical integrity of the underlying calculations; and (iv) performing sensitivity analyses over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes. • Assessing the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2020 annual report but does not include the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company (continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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

Bader I. Benmohareb
License Number 471

11 March 2021

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December	
		2020	**2019**
Assets			
Non-current assets			
Property, plant and equipment	4	**12,951,249**	14,175,897
Right-of-use assets	5	**63,266**	69,280
Investments in joint ventures accounted for using the equity method	6	**1,290,946**	2,010,642
Other assets	7	**135,905**	140,980
Total non-current assets		**14,441,366**	16,396,799
Current assets			
Inventories	8	**1,013,390**	915,053
Prepayments and other current assets	9	**147,621**	93,745
Due from related parties	20, 34	**838,231**	264,920
Trade receivables	10	**784,883**	906,097
Cash and cash equivalents	11	**2,080,971**	3,658,384
Total current assets		**4,865,096**	5,838,199
Total assets		**19,306,462**	22,234,998
Equity and liabilities			
Equity			
Share capital	12	**4,500,000**	4,500,000
Statutory reserve	13	**906,301**	897,136
Retained earnings		**1,005,359**	1,396,789
Equity attributable to the shareholders of Saudi Industrial Investment Group Company		**6,411,660**	6,793,925
Non-controlling interests	6	**8,221,670**	8,174,422
Total equity		**14,633,330**	14,968,347
Liabilities			
Non-current liabilities			
Long-term borrowings	14	**1,493,854**	3,435,135
Lease liabilities	15	**42,244**	52,097
Deferred tax liabilities - net	19	**298,696**	326,273
Employee benefit obligations	16, 34	**330,416**	270,094
Subordinated loan from a related party	18	**-**	182,696
Total non-current liabilities		**2,165,210**	4,266,295

(Continued)

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December	
		2020	**2019**
Current liabilities			
Trade payables		**300,975**	203,467
Due to related parties	20	**198,884**	206,885
Accrued and other liabilities	17	**392,367**	364,304
Dividends payable	32	**225,000**	337,500
Zakat and income tax	19	**624,255**	664,858
Current portion of long-term borrowings	14	**743,254**	1,210,425
Current portion of lease liabilities	15	**23,187**	12,917
Total current liabilities		**2,507,922**	3,000,356
Total liabilities		**4,673,132**	7,266,651
Total equity and liabilities		**19,306,462**	22,234,998

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

Hamad Alsayyri Chairman of the Board of Directors	Abdulrahman Alismail Chief Executive Officer	Hazem Abu Swaireh Finance Manager

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Revenue from contracts with customers	20, 21, 34	**6,112,766**	7,655,533
Cost of revenues	20, 22, 34	**(5,169,261)**	(5,772,674)
Gross profit		**943,505**	1,882,859
Selling and distribution expenses	20, 23	**(333,263)**	(421,931)
General and administrative expenses	20, 24	**(193,172)**	(194,285)
Share of net (loss) profit of joint ventures accounted for using the equity method	6	**(14,944)**	273,996
Operating profit		**402,126**	1,540,639
Finance costs	25	**(78,175)**	(224,975)
Finance income	26, 34	**31,808**	112,176
Finance costs - net		**(46,367)**	(112,799)
Other income - net	27, 34	**24,070**	14,470
Profit before zakat and income tax		**379,829**	1,442,310
Zakat expense	19	**(23,881)**	(87,969)
Income tax expense	19	**(22,744)**	(70,149)
Profit for the year		**333,204**	1,284,192
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	16	**(32,948)**	(43,405)
Share of other comprehensive loss of joint ventures accounted for using the equity method	6	**(13,054)**	(19,361)
Deferred tax	19	**2,246**	2,798
Other comprehensive loss for the year		**(43,756)**	(59,968)
Total comprehensive income for the year		**289,448**	1,224,224
Profit for the year is attributable to:			
Shareholders of Saudi Industrial Investment Group Company		**91,645**	606,267
Non-controlling interests		**241,559**	677,925
		333,204	1,284,192
Total comprehensive income for the year is attributable to:			
Shareholders of Saudi Industrial Investment Group Company		**67,735**	570,821
Non-controlling interests		**221,713**	653,403
		289,448	1,224,224
Earnings per share (Saudi Riyals)			
Basic and diluted	31	**0.20**	1.35

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

Hamad Alsayyri Chairman of the Board of Directors	Abdulrahman Alismail Chief Executive Officer	Hazem Abu Swaireh Finance Manager

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Attributable to the shareholders of Saudi Industrial Investment Group Company					
	Note	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2019		4,500,000	836,509	1,561,595	6,898,104	7,517,348	14,415,452
Profit for the year		-	-	606,267	606,267	677,925	1,284,192
Other comprehensive loss for the year		-	-	(35,446)	(35,446)	(24,522)	(59,968)
Total comprehensive income for the year		-	-	570,821	570,821	653,403	1,224,224
Transfer to statutory reserve	13	-	60,627	(60,627)	-	-	-
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	6	-	-	-	-	123,671	123,671
Dividends	32	-	-	(675,000)	(675,000)	(120,000)	(795,000)
		-	-	(675,000)	(675,000)	3,671	(671,329)
At 31 December 2019		4,500,000	897,136	1,396,789	6,793,925	8,174,422	14,968,347
Profit for the year		-	-	91,645	91,645	241,559	**333,204**
Other comprehensive loss for the year		-	-	(23,910)	(23,910)	(19,846)	**(43,756)**
Total comprehensive income for the year		-	-	67,735	67,735	221,713	**289,448**
Transfer to statutory reserve	13	-	9,165	(9,165)	-	-	**-**
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	6	-	-	-	-	50,535	**50,535**
Dividends	32	-	-	(450,000)	(450,000)	(225,000)	**(675,000)**
		-	-	(450,000)	(450,000)	(174,465)	**(624,465)**
At 31 December 2020		**4,500,000**	**906,301**	**1,005,359**	**6,411,660**	**8,221,670**	**14,633,330**

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

Hamad Alsayyri
Chairman of the Board of Directors

Abdulrahman Alismail
Chief Executive Officer

Hazem Abu Swaireh
Finance Manager

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Profit before zakat and income tax		**379,829**	1,442,310
Adjustments for:			
Depreciation	4, 5	**877,045**	886,972
Impairment loss on property, plant and equipment	4	**389,969**	-
Gain on disposals of property, plant and equipment	27	**(953)**	(968)
Share of net loss (profit) of joint ventures accounted for using the equity method	6	**14,944**	(273,996)
Finance costs - net		**46,367**	112,799
Gain on modification of subordinated loan from a related party	18	**(619)**	(5,508)
Provision for employee benefit obligations	16	**33,400**	24,918
Changes in operating assets and liabilities:			
(Increase) decrease in inventories		**(98,337)**	188,055
(Increase) decrease in prepayments and other current assets		**(19,053)**	160,644
Decrease (increase) in due from related parties		**130,891**	(12,360)
Decrease in trade receivables		**121,214**	129,285
Increase in trade payables		**97,508**	165,505
Decrease in due to related parties		**(8,001)**	(2,287)
Increase (decrease) in accrued and other liabilities		**26,653**	(288,196)
Cash generated from operations		**1,990,857**	2,527,173
Finance costs paid		**(59,001)**	(203,853)
Finance income received		**18,048**	98,799
Zakat and income tax paid	19	**(124,572)**	(163,533)
Employee benefit obligations paid	16	**(15,694)**	(8,045)
Loans to employees paid		**(4,966)**	(8,559)
Dividends received from joint ventures	6	**-**	431,250
Contribution of share capital in joint venture	6	**(51)**	-
Zakat reimbursed to joint ventures	6	**(10,751)**	(11,277)
Net cash inflow from operating activities		**1,793,870**	2,661,955
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	4	**(24,051)**	(10,214)
Proceeds from disposals of property, plant and equipment		**5,591**	12,197
Redemption of short-term murabaha deposits		**-**	330,000
Net cash (outflow) inflow from investing activities		**(18,460)**	331,983
Cash flows from financing activities			
Proceeds from long-term borrowings	14	**2,980,369**	-
Repayments of long-term borrowings	14	**(5,399,038)**	(1,583,291)
Repayment of Sukuk		**-**	(948,000)
Repayment of subordinated loan from a related party	18	**(182,077)**	(227,432)
Dividends paid	32	**(562,500)**	(675,000)
Principal elements of lease payments	15	**(15,112)**	(12,513)
Dividends paid by subsidiaries to non-controlling interests	6	**(225,000)**	(120,000)
Income tax reimbursed by a related party	6	**50,535**	123,671
Net cash outflow from financing activities		**(3,352,823)**	(3,442,565)

(Continued)

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Net decrease in cash and cash equivalents		**(1,577,413)**	(448,627)
Cash and cash equivalents at beginning of year		**3,658,384**	4,107,011
Cash and cash equivalents at end of year	11	**2,080,971**	3,658,384
Non-cash operating, investing and financing activities:			
Due from related parties as a result of reduction in share capital of joint ventures	6	**702,500**	-
Right-of-use assets recorded against lease liabilities	5	**15,529**	77,527
Amortisation of transaction costs	14	**10,217**	3,159
Transfer of employee benefit obligations from a related party	16, 20	**1,702**	5,573
Accrued capital expenditure	4	**1,410**	22,760
Accrued finance cost on subordinated loan from a related party	18	**-**	1,709
Prepaid lease rentals adjusted against right-of-use assets		**-**	12,132

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

Hamad Alsayyri Chairman of the Board of Directors	Abdulrahman Alismail Chief Executive Officer	Hazem Abu Swaireh Finance Manager

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Saudi Industrial Investment Group Company (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration ("CR") number 1010139946 dated on 10 Shaban 1416 H (corresponding to 1 January 1996). The registered address of the Company is P.O. Box 99833, Riyadh, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the activities of the Company and its following direct subsidiary and the two subsidiaries of its subsidiary (collectively the "Group"):

	Country of incorporation	**Effective ownership percentage at 31 December**	
		2020	**2019**
National Petrochemical Company (a Saudi joint stock company) ("Petrochem")	Kingdom of Saudi Arabia	**50%**	50%
The subsidiaries of Petrochem are as follows:			
Saudi Polymers Company (a limited liability company) ("SPCO")	Kingdom of Saudi Arabia	**65%**	65%
Gulf Polymers Distribution Company FZCO (a free zone limited liability company) ("GPDC")	United Arab Emirates	**65%**	65%

The Company is principally engaged in the development of the industrial base in the Kingdom of Saudi Arabia, in particular the petrochemical industries and opening the fields of export to foreign markets and to allow the private sector to enter the other industries using the products of the petrochemical industry after obtaining the necessary licenses from the competent authorities.

Petrochem is a Saudi joint stock company registered under CR number 1010246363 issued in Riyadh on 8 Rabi Al Awwal 1429 H (corresponding to 16 March 2008), and it was established pursuant to the Ministry of Commerce's resolution number 53/Q dated 16 Safar 1429 H (corresponding to 23 February 2008).

SPCO is a limited liability company registered in Jubail, Saudi Arabia under CR number 2055008886 dated 29 Dhul-Qadah 1428H (corresponding to 9 December 2007), with a branch in Jubail under CR number 2055009065.

During 2019, the shareholders of SPCO resolved to decrease the share capital of SPCO from Saudi Riyals 4.8 billion to Saudi Riyals 1.4 billion. The legal formalities for the reduction in capital have not been completed as at 31 December 2020.

GPDC was formed in the Dubai Airport Free Zone ("DAFZA") on 15 February 2011 as per DAFZA trade license. The registered address of GPDC is DAFZA, Office No.6EA 420, Dubai, United Arab Emirates.

In response to the spread of the COVID-19 pandemic in territories where the Group operates and its consequential disruption to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the customers.

Despite these challenges, the Group's business operations remain largely unaffected as the petrochemicals industry is, in general, exempted from the various restrictions and constraints imposed by various local regulatory authorities including cargo shipping limitations. The Group's management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on the Group's reported results for the year ended 31 December 2020.

1 General information (continued)

However, the Group's management continues to monitor the situation closely in order to mitigate any disruptions as much as possible.

The accompanying consolidated financial statements of the Group, including notes and other explanatory information, were approved and authorized for issue by the Company's Board of Directors on 10 March 2021.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of consolidated financial statements of the Group 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 consolidated financial statements of the Group 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

These consolidated 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 Group, however, the Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2020:

<u>Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform</u>

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss and other comprehensive income (also see Note 14).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards and amendment to standards and interpretations (continued)

Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards:

- Amendments to IFRS 3, 'Business combinations' effective 1 January 2020. These amendments contained a revised definition of business.

- Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' effective from 1 January 2020. These amendments contain guidance on use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information.

- Revised Conceptual Framework for Financial Reporting.

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 Group.

(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 Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation and equity accounting

(a) Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Investments in joint ventures

A joint venture is a type of joint arrangement where the Group has a contractual arrangement (rights and obligations) in place, with one or more parties, to undertake activities typically, however not necessarily, through a legal entity that is subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Interests in joint ventures are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the post-acquisition profits or losses of the investee in the profit or loss; and the Group's share of movements in other comprehensive income of the investee in the other comprehensive income, after adjustments to align the accounting policies with those of the Group. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment when the right to receive a dividend is established.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group applies IAS 36 "Impairment of Assets" to determine whether an investment in a joint venture is impaired and accounts for any identified impairment loss.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation and equity accounting (continued)

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 Group 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 over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

Catalysts are not depreciated as they are precious metals and the value of these assets does not diminish with the usage.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss. Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Group expects to use them for more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-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 capital work-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. Capital work-in-progress is not depreciated.

2 Summary of significant accounting policies (continued)

2.4 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group 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 12 months or less) and leases of low value assets. For these leases, the Group 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 asset are consumed.

Lease liabilities

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example 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 lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 the lease payments made.

2 Summary of significant accounting policies (continued)

2.4 Leases (continued)

Lease liabilities *(continued)*

The Group 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 day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group 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 or the cost of the right-of-use asset reflects that the Group 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 commencement date of the lease.

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

2 Summary of significant accounting policies (continued)

2.5 Financial instruments

2.5.1 Financial assets

(i) Classification

The Group measures financial assets at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Recognition and derecognition

At initial recognition, the Group measures financial assets 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 financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of Group's financial assets is at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. A gain or loss on a financial instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Impairment losses are presented as separate line item in the profit or loss.

2.5.2 Financial liabilities

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

A financial liability is derecognized when the obligation under the liability is discharged, 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 the consolidated profit or loss.

2.5.3 Offsetting financial assets and liabilities

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

2 Summary of significant accounting policies (continued)

2.6 Impairment of financial and non-financial assets

2.6.1 Impairment of non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") 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 pre-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 recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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 Group 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.

2.6.2 Impairment of financial assets

The Group 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 and due from related parties, the Group 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 asset. The amount of the loss is charged to profit or loss. The Group uses a provision matrix in the calculation of the ECL on trade receivables to estimate the lifetime ECL, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default based on credit rating of the Group's customers assigned by reputed credit rating agencies and loss given default. 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 Group has identified the Gross Domestic Product ("GDP") and the inflation rates of the Kingdom of Saudi Arabia, the Middle East, Europe and Asia as the most relevant factors, and accordingly adjusts the loss rates based on expected changes in these factors.

Trade receivable 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 Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where recoveries are made, after write-off, they are recognized as other income in the profit or loss.

2 Summary of significant accounting policies (continued)

2.6 Impairment of financial and non-financial assets (continued)

2.6.2 Impairment of financial assets (continued)

While cash and cash equivalents, short-term murabaha deposits, loans to employees and other receivables are also subject to impairment requirements of IFRS 9, these are considered as low risk and the impairment loss is not expected to be material.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using weighted average method.

Cost for finished goods and work-in-progress includes cost of materials, labor and appropriate allocation of direct overheads on the basis of normal level of activity. 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 and obsolete inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

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

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

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

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

- General capital spares and other consumable items, are not plant specific and can be used at any time for facilitating plant operations. They are generally classified as 'spare parts and consumables' under inventory, unless they exceed the threshold of capitalisation criteria and have a useful life of more than one year, under which case they are recorded under property, plant and equipment (and depreciated similar to repairable items). Spare parts and consumables under inventories are subject to assessment for obsolescence provision and are charged to profit or loss upon their installation or use. The provision is based on a systematic consistent manner depending on management's estimates, as well as ageing, actual physical wear and tear, etc. Where such items meet the criteria for capitalisation, their depreciation method is similar to repairable items, as noted above.

2 Summary of significant accounting policies (continued)

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

2.9 Cash and cash equivalents

For the purpose of consolidated statement of financial position, 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.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes 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 consolidated statement of financial position.

2.10 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.

2.11 Dividend distribution

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

2.12 Employee benefit obligations

a) Defined benefit plan

The Company, its direct subsidiary and its indirect subsidiary, based in the Kingdom of Saudi Arabia, and its indirect subsidiary, based in the the United Arab Emirates, operate their respective single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia and the United Arab Emirates which is based on most recent salary and number of service years.

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

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

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

2 Summary of significant accounting policies (continued)

2.12 Employee benefit obligations (continued)

a) Defined benefit plan (continued)

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in 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 and the United Arab Emirates.

b) Employee savings plan

The Group offers a savings plan for its employees in order to attract and retain employees and to encourage employees to save for their retirement. Employees contribute a monthly percentage between a minimum of 1% and maximum of 10% of their basic salary ("employee contribution") and the Group matches the equivalent amount contributed by the employee, restricted to a maximum of 5% of the employee's basic salary ("employer contribution").

The employee is eligible to receive 10% of the Group contribution following the completion of the first year of the savings plan and each following year the percentage of the Group contribution eligible to the employee increases by 10% until it reaches 100% in the tenth year of the savings plan.

The valuations of the liability under the savings plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the employee and employer contributions and the interest on this liability in respect of employee service in previous years, while enrolled in the savings plan.

The employer and employee contributions, the unwinding of the liability at discount rates used and any changes in net liability due to actuarial valuations and changes in assumptions are recorded in profit or loss.

2.13 Employee home ownership program

Until September 2020, the Group provided subsidised non-interest-bearing loans to eligible Saudi Arabian employees to either purchase or build residential properties by mortgaging the property in the Group's name as a security. The repayment of the loan is deducted from the employee's salary in monthly installments.

Subsequent to September 2020, the Group provides subsidies and reimbursement of finance costs, to eligible Saudi Arabian employees, on loans acquired by the employees from commercial banks to either purchase or build residential properties.

The interest cost associated with the funding of the acquisition or construction of the employee's house is borne by the Group in accordance with the approved home ownership program and expensed as part of finance cost.

2.14 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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2 Summary of significant accounting policies (continued)

2.15 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effects of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at 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 method.

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

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

2.17 Borrowing costs

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

2.18 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with customers and excludes rebates and amounts, if any, collected on behalf of third parties.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

2 Summary of significant accounting policies (continued)

2.18 Revenue from contracts with customers (continued)

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group recognises revenue from sale and delivery of petrochemical products.

Revenue from sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognizes revenue when control of the goods has transferred, 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. Control is transferred to the customer 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 Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized 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.

Revenue from transportation services

Revenue from providing transportation services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2 Summary of significant accounting policies (continued)

2.18 Revenue from contracts with customers (continued)

The Group sells a significant proportion of its goods on Cost and freight ("CFR") and Cost, insurance and freight ("CIF") International Commercial terms ("Incoterms") and, therefore, the Group is responsible for providing shipping services after the date at which control over the promised goods have passed to the customer at the loading port. The Group is, therefore, responsible for the satisfaction of two performance obligations under its CFR and CIF contracts with the customers and recognizes revenue as follows:

- sale and delivery of goods at the loading port resulting in the transfer of control over such promised goods to the customer and recognizing the related revenue at a point in time basis; and

- shipping services for the delivery of the promised goods to the customer's port of destination and recognizing the related revenue over a time basis, equivalent to the stage of completion of the services.

The disaggregation between separate performance obligations is done based on the standalone selling price.

2.19 Selling and distribution expenses

Selling and distribution expenses comprise all costs for selling, marketing and transportation of the Group's products and include expenses for advertising, marketing fees and other sales related expenses. Allocations between selling and distribution, general and administrative and cost of revenues, when required, are made on a consistent basis.

2.20 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of production or selling and distribution costs. Allocations between general and administrative, selling and distribution and cost of revenues, when required, are made on a consistent basis.

2.21 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Both SPCO and GPDC are translated in the consolidated financial statements from United States Dollars to Saudi Riyals on a fixed rate of Saudi Riyals 3.75 to United States Dollar 1. All values are rounded to the nearest Saudi Riyal thousands, except when otherwise indicated. The consolidated financial statements are presented in Saudi Riyals, which is also the Company's 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

2 Summary of significant accounting policies (continued)

2.21 Foreign currencies (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi Riyal are translated into Saudi Riyal as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
(ii) income and expenses for each statement of profit or loss are translated at average exchange rates; and
(iii) components of the equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries into Saudi Riyal are recognized in consolidated statement of comprehensive income.

When investment in foreign subsidiaries is disposed off or sold, currency translation differences that were recorded in other comprehensive income are recognized in profit or loss as part of gain or loss on disposal or sale.

2.22 Finance income

Finance income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.23 Zakat, income taxes and Value Added Tax ("VAT")

The Group is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat, for the Company and its subsidiaries, is calculated based on higher of approximate zakat base and adjusted profit and are charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

GPDC is registered in DAFZA and is exempted from income tax.

2 Summary of significant accounting policies (continued)

2.23 Zakat, income taxes and Value Added Tax ("VAT") (continued)

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and for the carry forward losses in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and carry forward losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on purchase of assets or services is not recoverable from the GAZT, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, respectively.

- When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from / payable to the GAZT is included as part of receivables or payables, respectively, in the consolidated statement of financial position.

2.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors of the Group assesses the financial performance and position of the Group and makes strategic decisions. The Board of Directors has been identified as being the Chief Operating Decision Maker.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2 Summary of significant accounting policies (continued)

2.25 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.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements 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 revenue 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 Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

However, as explained in Note 1, the Group's management has proactively assessed the potential impact of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the markets in which the Group operates that could adversely affect the Group's supply chain, production capabilities, demand of its products, as well as the sales distribution network that could cause a negative impact on the financial performance. Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of these consolidated financial statements. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Property, plant and equipment

	1 January 2020	Additions	Disposals	Transfers	Impairment	31 December 2020
2020						
Cost						
Office buildings	683,425	2,930	-	1,407	-	**687,762**
Plant, machinery and equipment	19,503,036	6,641	(7,759)	6,656	-	**19,508,574**
Furniture and office equipment	189,753	91	-	11	-	**189,855**
Vehicles	31,108	-	(2,011)	-	-	**29,097**
Catalysts	18,877	-	-	-	-	**18,877**
Capital work-in-progress	48,476	15,799	-	(8,074)	-	**56,201**
	20,474,675	25,461	(9,770)	-	-	**20,490,366**
Accumulated depreciation						
Office buildings	(198,582)	(27,701)	-	-	-	**(226,283)**
Plant, machinery and equipment	(5,911,565)	(820,855)	3,203	-	(389,969)	**(7,119,186)**
Furniture and office equipment	(159,055)	(6,232)	-	-	-	**(165,287)**
Vehicles	(29,576)	(714)	1,929	-	-	**(28,361)**
	(6,298,778)	(855,502)	5,132	-	(389,969)	**(7,539,117)**
Net book value	14,175,897					**12,951,249**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Property, plant and equipment (continued)

	1 January 2019	Additions	Disposals	Transfers	Impairment	31 December 2019
2019						
Cost						
Office buildings	683,425	-	-	-	-	683,425
Plant, machinery and equipment	19,395,107	13,249	(210)	94,890	-	19,503,036
Furniture and office equipment	188,164	29	-	1,560	-	189,753
Vehicles	31,108	-	-	-	-	31,108
Catalysts	29,951	-	(11,074)	-	-	18,877
Capital work-in-progress	125,230	19,696	-	(96,450)	-	48,476
	20,452,985	32,974	(11,284)	-	-	20,474,675
Accumulated depreciation						
Office buildings	(170,756)	(27,826)	-	-	-	(198,582)
Plant, machinery and equipment	(5,079,790)	(831,830)	55	-	-	(5,911,565)
Furniture and office equipment	(152,721)	(6,334)	-	-	-	(159,055)
Vehicles	(28,973)	(603)	-	-	-	(29,576)
	(5,432,240)	(866,593)	55	-	-	(6,298,778)
Net book value	15,020,745					14,175,897

a) The office buildings and plant are constructed on land leased from the Royal Commission for Jubail and Yanbu. The lease is initially for a period of 30 years commencing from 29 Dhul-Qada 1428 H (corresponding to 9 December 2007) and is renewable for further periods thereafter.

b) Capital work-in-progress as at 31 December 2020 principally represent costs incurred on procurement and construction of certain equipments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Property, plant and equipment (continued)

c) During the year ended 31 December 2020, the Board of Managers of SPCO resolved to cease the production of its Polystyrene product. Accordingly, the management of SPCO recorded an impairment loss amounting to Saudi Riyals 390.0 million against the net book value of production facilities relating to the Polystyrene product as at 31 December 2020. The impairment loss has been recognized within the "Cost of revenues" line item in the consolidated statement of profit or loss and other comprehensive income.

d) At 31 December 2019, part of the Group's property, plant and equipment amounting to Saudi Riyals 12.2 billion were secured by (i) liens against loan facilities from Saudi Industrial Development Fund ("SIDF") and (ii) assignment of residual proceeds against loan facilities from consortium of local and foreign commercial banks and Public Investment Fund ("PIF"), which were settled during the year ended 31 December 2020 (also see Note 14).

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

	Number of years
• Office buildings	25
• Plant, machinery and equipment	10 - 25
• Furniture and office equipment	4 - 10
• Vehicles	5

Depreciation for the years ended 31 December has been allocated as follows:

	2020	**2019**
Cost of revenues	**846,258**	856,792
General and administrative expenses	**9,244**	9,801
	855,502	866,593

5 Right-of-use assets

	1 January 2020	**Additions**	**Depreciation**	**31 December 2020**
2020				
Land	30,691	-	(1,729)	**28,962**
Warehouses	36,020	-	(17,633)	**18,387**
Equipment	368	15,529	(1,075)	**14,822**
Offices and motor vehicles	2,201	-	(1,106)	**1,095**
	69,280	15,529	(21,543)	**63,266**

	1 January 2019	**Additions**	**Depreciation**	**31 December 2019**
2019				
Land	32,663	-	(1,972)	30,691
Warehouses	53,190	-	(17,170)	36,020
Equipment	491	-	(123)	368
Offices and motor vehicles	2,692	623	(1,114)	2,201
	89,036	623	(20,379)	69,280

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Interests in other entities

6.1 Subsidiaries

The Company's principal operating subsidiary is Petrochem and the Company held an ownership interest of 50% in Petrochem at 31 December 2020 and 2019. Petrochem's principal operating subsidiaries at 31 December 2020 and 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by Petrochem, and the proportion of ownership interests held equals the voting rights held by Petrochem. The country of incorporation or registration is also their principal place of business:

Name of the entity	Place of business / Country of incorporation	Ownership interest held by Petrochem		Ownership interest held by non-controlling interests		Principal activities
		2020	**2019**	**2020**	**2019**	
SPCO	Kingdom of Saudi Arabia	**65%**	65%	**35%**	35%	Manufacturing and sale of petrochemical products
GPDC	United Arab Emirates	**65%**	65%	**35%**	35%	Sale of petrochemical products

6.2 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests ("NCI"). The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised statement of financial position	**Petrochem**		**SPCO**		**GPDC**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current assets	**385,941**	148,740	**2,118,548**	3,401,412	**1,069,155**	1,325,035
Current liabilities	**(354,388)**	(354,016)	**(1,720,098)**	(2,096,725)	**(155,171)**	(257,575)
Net current assets (liabilities)	**31,553**	(205,276)	**398,450**	1,304,687	**913,984**	1,067,460
Non-current assets	**8,091,587**	8,362,579	**13,142,310**	14,375,642	**1,376**	2,482
Non-current liabilities	**(7,094)**	(9,309)	**(2,145,680)**	(4,582,073)	**(979)**	(2,966)
Net non-current assets (liabilities)	**8,084,493**	8,353,270	**10,996,630**	9,793,569	**397**	(484)
Net assets	**8,116,046**	8,147,994	**11,395,080**	11,098,256	**914,381**	1,066,976
Accumulated NCI	**4,058,023**	4,073,997	**3,865,303**	3,744,263	**320,033**	373,442

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Interests in other entities (continued)

6.2 Non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income	**Petrochem**		**SPCO**		**GPDC**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue from contracts with customers	**-**	-	**5,532,143**	6,774,430	**4,944,986**	6,265,331
Profit for the year	**229,771**	674,470	**259,353**	870,627	**147,405**	139,701
Other comprehensive loss for the year	**(21,719)**	(26,657)	**(29,847)**	(37,178)	**-**	-
Total comprehensive income for the year	**208,052**	647,813	**229,506**	833,449	**147,405**	139,701
Profit for the year allocated to NCI	**114,886**	337,235	**79,492**	273,243	**51,592**	48,895
Other comprehensive loss for the year allocated to NCI	**(10,860)**	(13,329)	**(8,987)**	(11,194)	**-**	-

Summarised statement of cash flows	**Petrochem**		**SPCO**		**GPDC**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Cash flows generated from (used in) operating activities	**(54,717)**	(19,236)	**1,596,703**	2,090,600	**181,534**	148,088
Cash flow generated from (used in) investing activities	**(191)**	(221)	**(17,884)**	2,374	**-**	-
Cash flows generated from (used in) financing activities	**293,140**	(895,626)	**(2,884,616)**	(2,091,760)	**(302,059)**	(139)
Net (decrease) increase in cash and cash equivalents	**238,232**	(915,083)	**(1,305,797)**	1,214	**(120,525)**	147,949

Other information	**Petrochem**		**SPCO**		**GPDC**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Dividends paid to NCI	**(120,000)**	(120,000)	**-**	-	**(105,000)**	-
Reimbursement of income tax by NCI	**-**	-	**50,535**	123,671	**-**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Interest in other entities (continued)

6.3 Investments in joint ventures accounted for using the equity method

Set out below are the joint ventures of the Group as at 31 December 2020 and 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of the entity	Place of business / Country of incorporation	Ownership interest held by the Group		Carrying amount	
		2020	**2019**	**2020**	**2019**
Investment in joint ventures					
Saudi Chevron Phillips Company ("SCP")	Saudi Arabia	**50%**	50%	**536,698**	744,390
Jubail Chevron Phillips Company ("JCP")	Saudi Arabia	**50%**	50%	**699,739**	1,266,252
Aromatics Distribution Company ("ADCO")	United Arab Emirates	**50%**	-	**54,509**	-
				1,290,946	2,010,642

a) SCP is principally engaged in the production of liquid fuels, basic organic chemicals, primary gases and gaseous fuels. SCP is a limited liability company registered in Jubail, Saudi Arabia under CR number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996), with a branch in Jubail under CR number 2055009584.

During 2018, the shareholders of SCP resolved to decrease the share capital of SCP by Saudi Riyals 411 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during the year ended 31 December 2020. The reduction in share capital is payable on demand to the shareholders of SCP, dependent on its financial capabilities, and is treated as a current liability in SCP (also see Note 20).

b) JCP is principally engaged in production basic organic chemicals, propylene and liquid fuels. JCP is a limited liability company registered in Jubail, Saudi Arabia under CR number 2055005901 dated 25 Jumada' II 1424H (corresponding to 23 August 2003).

During 2018, the shareholders of JCP resolved to decrease the share capital of JCP by Saudi Riyals 994 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during the year ended 31 December 2020. The reduction in share capital is payable on demand to the shareholders of JCP, dependent on its financial capabilities, and is treated as a current liability in JCP (also see Note 20).

c) ADCO is principally engaged to distribute the aromatic products (styrene, cyclohexane, propane and benzene) produced by JCP and SCP. ADCO is jointly owned by the Company and Arabian Chevron Phillips Petrochemical Company Limited ("ACPPCL"), with a capital of Saudi Riyals 51,000 each, and was established during the year ended 31 December 2020. ADCO is registered in DAFZA, United Arab Emirates under license number 4105 and started its commercial operations from March 2020 onwards.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Interest in other entities (continued)

6.3 Investments in joint ventures accounted for using the equity method (continued)

Movement in carrying amount of investment in joint ventures is as follows:

	SCP	*JCP*	*ADCO*	**2020**	**2019**
1 January	744,390	1,266,252	-	**2,010,642**	2,175,980
Share of net profit (loss)	1,788	(71,190)	54,458	**(14,944)**	273,996
Share of other comprehensive loss	(8,340)	(4,714)	-	**(13,054)**	(19,361)
Reduction in share capital	(205,625)	(496,875)	-	**(702,500)**	-
Contribution of share capital	-	-	51	**51**	-
Dividends received from joint ventures	-	-	-	**-**	(431,250)
Zakat reimbursed to joint ventures	4,485	6,266	-	**10,751**	11,277
31 December	536,698	699,739	54,509	**1,290,946**	2,010,642

Summarised financial information for joint ventures is provided below. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts.

Summarised statement of financial position	**SCP**		**JCP**		**ADCO**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current assets						
Cash and cash equivalents	**635,618**	472,895	**313,478**	337,907	**82,639**	-
Other current assets	**938,498**	989,135	**1,028,190**	858,531	**448,961**	-
Total current assets	**1,574,116**	1,462,030	**1,341,668**	1,196,438	**531,600**	-
Non-current assets	**970,688**	1,066,168	**1,849,436**	2,111,739	**-**	-
Current liabilities						
Financial liabilities (excluding trade payables)	**(924,804)**	(635,329)	**(1,395,922)**	(476,028)	**(422,513)**	-
Other current liabilities	**(178,339)**	(108,761)	**(283,665)**	(225,386)	**-**	-
Total current liabilities	**(1,103,143)**	(744,090)	**(1,679,587)**	(701,414)	**(422,513)**	-
Non-current liabilities						
Financial liabilities (excluding trade payables)	**(9,176)**	(4,640)	**(5,685)**	(6,642)	**-**	-
Other non-current liabilities	**(201,480)**	(178,576)	**(121,673)**	(121,307)	**(71)**	-
Total non-current liabilities	**(210,656)**	(183,216)	**(127,358)**	(127,949)	**(71)**	-
Net assets	**1,231,005**	1,600,892	**1,384,159**	2,478,814	**109,016**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Interest in other entities (continued)

6.3 Investments in joint ventures accounted for using the equity method (continued)

Summarised statement of profit or loss and other comprehensive income	**SCP**		**JCP**		**ADCO**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue from contracts with customers	**2,703,428**	4,051,109	**3,876,885**	5,503,724	**1,798,301**	-
Finance income	**7,590**	11,228	**3,814**	9,793	**-**	-
Depreciation	**(139,643)**	(240,720)	**(293,479)**	(299,959)	**-**	-
Finance costs	**(9,105)**	(9,634)	**(2,711)**	(5,261)	**-**	-
Zakat and income tax expense	**(7,676)**	(28,778)	**(6,817)**	(33,776)	**-**	-
Profit (loss) for the year	**23,085**	261,569	**(122,126)**	250,992	**108,915**	-
Other comprehensive loss for the year	**(16,680)**	(24,474)	**(8,486)**	(10,376)	**-**	-
Total comprehensive income (loss) for the year	**6,405**	237,095	**(130,612)**	240,616	**108,915**	-

7 Other assets

Other assets represent non-interest bearing housing loans and subsidies provided to eligible Saudi Arabian employees. The loans are secured by mortgages on the property purchased under the employee home ownership program and are repayable in monthly installments within a maximum period of 15 years.

Upon disbursement of a loan to an employee or the employee obtaining a loan from a commercial bank, the Group will subsidize an amount of Saudi Riyals 0.2 million of the total loan amount granted to the employee. Such subsidy is amortised over a period of 8 years on a straight-line basis and recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

The installments due within one year and the subsidies expected to be amortised within one year are included in 'Prepayments and other current assets' under current assets. The carrying value at the reporting date is presented as follows:

	Note	**2020**	**2019**
Loans to employees:			
Non-current portion presented under 'Other assets'		**114,430**	95,656
Current portion presented under 'Prepayments and other current assets'	9	**13,777**	17,036
		128,207	112,692
Subsidies:			
Non-current portion presented under 'Other assets'		**21,475**	45,324
Current portion presented under 'Prepayments and other current assets'	9	**7,136**	8,840
		28,611	54,164

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Inventories

	2020	2019
Spare parts and consumables	**422,659**	428,374
Finished goods	**406,316**	301,301
Catalyst, chemicals and additives	**136,718**	129,949
Goods-in-transit	**46,099**	53,730
Raw materials	**1,598**	1,699
	1,013,390	915,053

The Group purchases its raw materials primarily from three suppliers including two joint ventures of the Group in the Kingdom of Saudi Arabia.

During the year ended 31 December 2020, the Board of Managers of SPCO have written-off spare parts relating to the ceasing of the production of Polystyrene product amounting to Saudi Riyals 10.6 million (also see Note 4).

9 Prepayments and other current assets

	Note	2020	2019
VAT receivable - net		**72,829**	17,321
Prepaid expenses		**37,984**	41,984
Loans to employees - current portion	7	**13,777**	17,036
Advance income tax	19	**12,013**	-
Advances to suppliers		**5,111**	5,959
Cash margin against bank guarantee		**2,264**	2,264
Accrued finance income		**2,240**	7,444
Other receivables		**1,403**	1,737
		147,621	93,745

The above classes within prepayments and other current assets do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

10 Trade receivables

(a) Trade receivables are non-interest bearing and the Group's standard credit period is 30-90 days after which trade receivables are considered to be past due. The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group considers any trade receivables overdue for more than one year to be in default and are accordingly provided for. Loss rates for the remaining ageing groups were insignificant. At 31 December 2020 and 2019, the ECL allowance on trade receivables was immaterial.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Trade receivables (continued)

(b) The aging analysis of trade receivables is as follows:

	2020	2019
Current to 30 days	**784,099**	903,510
31 to 60 days	**777**	2,482
61 to 90 days	**7**	105
	784,883	906,097

(c) The net carrying amounts of the Group's trade receivables are denominated in United States Dollars.

(d) The Group does not hold any collateral as security for trade receivables.

11 Cash and cash equivalents

	2020	2019
Cash at banks	**905,030**	2,368,634
Cash in hand	**20**	-
Short-term deposits	**1,175,921**	1,289,750
	2,080,971	3,658,384

Short-term deposits represent Murabaha and conventional deposits amounting to Saudi Riyals 1.1 billion and Saudi Riyals 50.0 million (2019: Saudi Riyals 1.3 billion and Nil), respectively, and are placed with commercial banks, with a maturity period of three months or less from date of placement, and yield finance income at commercial rates ranging from 0.45% to 0.85% per annum (2019: 2.20% to 2.53% per annum).

At 31 December 2019, Group's cash and cash equivalents, amounting to Saudi Riyals 2.1 billion, were assigned as security against loan facilities from consortium of local and foreign commercial banks and PIF, and also included restricted cash amounting to Saudi Riyals 1.2 billion related to the Group's debt service account for repayment of such loan facilities. Such loan facilities were settled during the year ended 31 December 2020 (also see Note 14).

12 Share capital

As at 31 December 2020 and 2019, the authorized, issued and fully paid-up share capital comprised 450 million ordinary shares of Saudi Riyals 10 per share.

13 Statutory reserve

In accordance with the Company's By-laws and the 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 to 30% of share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Long-term borrowings

	2020	2019
Local commercial banks	**2,250,000**	-
SIDF	**-**	100,000
PIF	**-**	391,779
Consortium of local and foreign commercial banks	**-**	4,157,259
	2,250,000	4,649,038
Less unamortised transaction costs	**(12,892)**	(3,478)
	2,237,108	4,645,560

Long-term borrowings are presented in the consolidated statement of financial position as follows:

	2020	2019
Long-term borrowings	**1,493,854**	3,435,135
Current portion of long-term borrowings	**743,254**	1,210,425
	2,237,108	4,645,560

The movement in long-term borrowings is as follows:

	Note	2020	2019
At 1 January		**4,645,560**	6,225,692
Proceeds from long-term borrowings		**2,980,369**	-
Finance costs for the year		**56,545**	174,383
Less: repayment of principal		**(5,399,038)**	(1,583,291)
Less: repayment of finance costs	25	**(46,328)**	(171,224)
At 31 December		**2,237,108**	4,645,560

Movements in unamortised transaction costs are as follows:

	Note	2020	2019
1 January		**3,478**	6,637
Additions		**19,631**	-
Less: amortisation	25	**(10,217)**	(3,159)
31 December		**12,892**	3,478

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Long-term borrowings (continued)

During the year ended 31 December 2020, the Group obtained a term loan amounting to Saudi Riyals 3.0 billion from local commercial banks to re-finance and fully settle the existing senior debts. The loan, to be repaid over 8 equal semi-annual installments beginning 30 June 2020, carries an interest rate of London Interbank Offered Rate ('LIBOR') plus 0.9% and is secured by a principal note. The portion of term loan payable beyond 31 December 2021 has been classified under non-current liabilities. The loan is denominated in United States Dollars. The covenants of the term loan require the Group to maintain a certain level of financial condition, imposes conditional limitations on shareholder distributions and certain other matters. As at 31 December 2020, the Group was in compliance with these covenants.

The term loans obtained from a consortium of local and foreign commercial banks, PIF and SIDF, which were secured by various guarantees including pledges over the equipment and bank accounts of the Group, have been settled during the year ended 31 December 2020.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the LIBOR, announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and, possibly, the accounting for certain financial instruments. The Group does not have any other financial instruments, other than the term loan, which are exposed to the impact of LIBOR as at 31 December 2020.

The Group is currently assessing the impact of the LIBOR reforms and determining next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

Maturity profile of long-term borrowings

	2020	2019
Years ending 31 December:		
2020	-	1,210,425
2021	**750,000**	762,896
2022	**750,000**	931,500
2023	**750,000**	1,744,217
	2,250,000	4,649,038

15 Lease liabilities

	Note	2020	2019
1 January		**65,014**	77,017
Additions		**15,529**	510
Finance cost	25	**7,950**	2,072
Repayments		**(23,062)**	(14,585)
31 December		**65,431**	65,014

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

	2020	2019
Lease liabilities	**42,244**	52,097
Current portion of lease liabilities	**23,187**	12,917
	65,431	65,014

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Lease liabilities (continued)

Additional information about the Group's leasing activities

The Group has leases in respect of various warehouses, equipment, offices and motor vehicles and a parcel of land.

Rental contracts are typically made for fixed periods but may have extension options as described below.

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.

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

16 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	2020	2019
Defined benefit plan	16.2	**300,056**	242,400
Employee savings plan	16.7	**30,360**	27,694
		330,416	270,094

16.1 General description of the defined benefit plan

The Company, its direct subsidiary and its indirect subsidiary, based in the Kingdom of Saudi Arabia, and its indirect subsidiary, based in the the United Arab Emirates, operate their respective single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia and the United Arab Emirates which is based on most recent salary and number of service years. The end-of-service benefit payments under the plans 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 labor laws of the Kingdom of Saudi Arabia and the United Arab Emirates. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment or employee's resignation from the company. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2020 for the Group.

16.2 Movement in net liability recognised in the consolidated statement of financial position

	Note	2020	2019
1 January		**242,400**	170,664
Current service cost		**29,575**	21,426
Finance cost	25	**7,966**	7,918
Benefits paid		**(14,535)**	(6,586)
Transfer from a related party	20	**1,702**	5,573
Remeasurements		**32,948**	43,405
31 December		**300,056**	242,400

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Employee benefit obligations (continued)

16.3 Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2020	**2019**
Current service cost	**29,575**	21,426
Interest expense	**7,966**	7,918
Total amount recognised in consolidated profit or loss	**37,541**	29,344
Remeasurements		
Loss from change in financial assumptions	**28,640**	39,070
Loss from change in experience adjustments	**4,308**	4,335
Total amount recognised in consolidated other comprehensive income	**32,948**	43,405

16.4 Key actuarial assumptions

	2020	**2019**
Discount rate	**1.7% - 2.6%**	2.7% - 3.3%
Salary growth rate	**3.0% - 4.0%**	3.0% - 4.0%

16.5 Sensitivity analysis for actuarial assumptions

2020	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**25 basis points**	**25 basis points**	**(11,830)**	**12,574**
Salary growth rate	**25 basis points**	**25 basis points**	**12,361**	**(11,713)**

2019	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	25 basis points	25 basis points	(9,039)	9,585
Salary growth rate	25 basis points	25 basis points	9,518	(9,009)

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 termination.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Employee benefit obligations (continued)

16.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7.0 - 15.8 years (2019: 3.0 - 15.5 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2020	**9,629**	**9,639**	**29,132**	**419,683**	**468,083**
31 December 2019	22,060	8,572	24,543	370,033	425,208

16.7 Employee savings plan

	2020	2019
1 January	**27,694**	25,661
Contribution for the year	**3,825**	3,492
Withdrawals during the year	**(1,159)**	(1,459)
31 December	**30,360**	27,694

17 Accrued and other liabilities

	2020	2019
Accrued expenses	**283,386**	277,319
Advances from customers	**51,300**	29,029
Accrued salaries and benefits	**23,296**	32,885
VAT payable - net	**2,423**	-
Other	**31,962**	25,071
	392,367	364,304

18 Subordinated loan from a related party

The NCI of SPCO had provided a non-interest bearing subordinated loan of Saudi Riyals 1.1 billion in prior years to finance the construction of a petrochemical plant. The repayment of the loan was subject to certain covenants being met under the terms of the current commercial loan facilities and was also subject to certain covenants under the terms of previous commercial loan facilities, which were settled during the year ended 31 December 2020. The loan was denominated in United States Dollars. SPCO has settled the liability during the year ended 31 December 2020.

The movement of subordinated loan from a related party is as follows:

	Note	2020	2019
1 January		**182,696**	413,927
Finance cost	25	**4,723**	10,527
Gain on modification	27	**(619)**	(5,508)
Payments		**(186,800)**	(236,250)
31 December		**-**	182,696

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Zakat and income tax matters

19.1 Components of zakat base

The Company files its zakat and income tax declaration on an unconsolidated basis. The significant components of the zakat base of the Company and each of its subsidiaries which are subject to zakat under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

19.2 Provision for zakat and income tax

	Zakat	Income tax	Total
1 January 2020	661,276	3,582	**664,858**
Provision	59,275	48,075	**107,350**
Adjustment relating to prior years	(35,394)	-	**(35,394)**
	23,881	48,075	**71,956**
Advance income tax paid	-	(24,281)	**(24,281)**
Payment	(60,902)	(39,389)	**(100,291)**
31 December 2020	624,255	(12,013)	**612,242**
1 January 2019	624,164	64,125	688,289
Provision	90,897	52,133	143,030
Adjustment relating to prior year	(2,928)	-	(2,928)
	87,969	52,133	140,102
Advance income tax paid	-	(48,554)	(48,554)
Payment	(50,857)	(64,122)	(114,979)
31 December 2019	661,276	3,582	664,858

As at 31 December 2020, zakat and income tax payable have been presented on the consolidated statement of financial position as 'Zakat and income tax' in the current liabilities amounting to Saudi Riyals 624.3 million (2019: Saudi Riyals 664.9 million) and as advance income tax under 'Prepayments and other current assets' in the current assets amounting to Saudi Riyals 12.0 million (2019: Nil).

19.3 Income tax expense charged to the consolidated statement of profit and loss and other comprehensive income

	2020	2019
Income taxes for SPCO		
Current tax	**48,075**	52,133
Deferred tax (credited) charged to profit or loss	**(25,331)**	18,016
	22,744	70,149
Deferred tax credited to other comprehensive income	**(2,246)**	(2,798)
	20,498	67,351

The current income tax expense for the year ended 31 December 2020 and 2019 is calculated at statutory income tax rate of 20%.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Zakat and income tax matters (continued)

19.4 Zakat charged to the consolidated statement of profit and loss and other comprehensive income

	2020	2019
Zakat for the Company	**(9,656)**	17,169
Zakat for Petrochem	**23,532**	30,456
Zakat for SPCO	**10,005**	40,344
	23,881	87,969

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

19.5 Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
Profit before zakat and income tax	**379,829**	1,442,310
Tax at the Kingdom of Saudi Arabia tax rate of 20%	**75,966**	288,462
Add (less):		
Tax effect of amount not subject to tax	**(46,756)**	(190,350)
Impact of deferred tax	**(27,577)**	15,218
Tax effect of amounts which are not deductible (deductible) in calculating taxable income	**18,865**	(45,979)
Income tax expense	**20,498**	67,351

19 Zakat and income tax matters (continued)

19.6 Status of certificates and final assessments

(a) Status of assessments of the Company

The Company has filed its Zakat and Income Tax returns with the GAZT up to 2019. The Company has finalised its zakat status with the GAZT for all years up to 31 December 2006 on a standalone basis.

The GAZT raised assessments for the years from 2007 to 2014 with additional zakat liability of Saudi Riyals 42.0 million. The Company has filed an appeal against the additional zakat liability to the GAZT, following which the case has been transferred to the Preliminary Appeal Committee ("PAC"), which has been replaced by the new tax committees under the General Secretariat of Tax Committees (the "GSTC"). Accordingly, the Company's case is under review by the GSTC.

During 2020, the GAZT raised assessments for the years from 2015 to 2018 with additional zakat liability of Saudi Riyals 38.7 million. The Company filed an appeal against the additional zakat liability with the GAZT, following which the Company received revised assessments from GAZT reducing the additional zakat liability to Saudi Riyals 17.0 million, which the Company has settled during 2021.

The assessment for 2019 is still under the GAZT's review.

(b) Status of assessments of Petrochem

Petrochem has filed its Zakat and Income Tax returns with the GAZT up to 2019. Petrochem has finalised its zakat status with the GAZT for all years up to 31 December 2010 on a standalone basis and a number of additional assessments have been issued by the GAZT as follows:

The GAZT raised assessments for the years from 2011 to 2013 with additional zakat liability of Saudi Riyals 95.5 million. Petrochem has filed an appeal against the additional zakat liability with the GAZT, following which the case had been transferred to the PAC. Petrochem received revised zakat assessments for the years from 2011 to 2013 from the GAZT reducing the additional zakat liability to Saudi Riyals 5.7 million. Petrochem accepted and paid Saudi Riyals 3.5 million and filed an appeal for the remaining balance of Saudi Riyals 2.2 million with the Higher Appeal Committee ("HAC"), which has been replaced by the new tax committees under the GSTC. During September 2020, the committee at GSTC issued a final ruling in favor of the GAZT's revised assessment. Accordingly, the final remaining balance due is Saudi Riyals 2.2 million.

The GAZT raised assessments for the years from 2014 to 2016 with additional zakat liability of Saudi Riyals 204.2 million. Petrochem has filed an appeal against the additional zakat liability to GAZT, following which the case has been escalated to the GSTC and the committee ruling is awaited.

During 2020, the GAZT raised assessments for the years 2017 and 2018 with additional zakat liability of Saudi Riyals 128.9 million. Petrochem has filed an appeal against the additional zakat liability to the GAZT, and the GAZT's decision is awaited.

The assessment for 2019 is still under the GAZT's review.

(c) Status of assessments of SPCO

SPCO has filed its zakat and income tax returns with the GAZT up to 2019. The assessment for the period ended 31 December 2008 has been finalised with the GAZT with no additional liability. The assessments for the years from 2009 through 2019 have not yet been raised by the GAZT.

Zakat base has been computed based on the managements' understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations. The assessments to be raised by the GAZT could be different from the declarations filed by the companies in Saudi Arabia.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Zakat and income tax matters (continued)

19.6 Status of certificates and final assessments (continued)

(d) Status of assessments of GPDC

GPDC is registered in DAFZA and is exempted from income tax.

The Group's management believes that the provision made in the consolidated statement of financial position is adequate to cover any additional zakat liability that may arise from the GAZT.

19.7 Deferred taxes

The balance comprises temporary differences, relating to SPCO, attributable to:

	2020	**2019**
Property, plant and equipment	**718,515**	758,074
Employee benefit obligations	**19,639**	15,467
Taxable losses carry forward	**400,180**	416,334
Total deferred tax assets	**419,819**	431,801
Net deferred tax liabilities	**298,696**	326,273

	Employee benefit obligations	**Property, plant and equipment**	**Taxable losses carry forward**	**Total**
1 January 2020	(15,467)	758,074	(416,334)	**326,273**
(Credited) / charged to:				
- Profit or loss	(1,926)	(39,559)	16,154	**(25,331)**
- Other comprehensive income	(2,246)	-	-	**(2,246)**
31 December 2020	**(19,639)**	718,515	**(400,180)**	**298,696**
1 January 2019	(10,826)	755,595	(433,714)	311,055
(Credited) / charged to:				
- Profit or loss	(1,843)	2,479	17,380	18,016
- Other comprehensive income	(2,798)	-	-	(2,798)
31 December 2019	(15,467)	758,074	(416,334)	326,273

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 Related party transactions and balances

The Group has transactions with its shareholders and their affiliated entities (collectively "related parties").

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

(a) Following are the significant transactions entered into by the Group:

Related parties	Nature of transactions	2020	2019
Joint ventures:			
SCP (Note i and ii)	*Sales*	**151,279**	203,940
	Purchases	**(120,274)**	(69,349)
	Support services	**(333,566)**	(313,410)
	Reduction in share capital	**205,625**	-
	Transfer of employee benefit obligations	**(1,702)**	(5,573)
JCP (Note ii)	*Sales*	**173,171**	302,415
	Purchases	**(695,614)**	(1,064,058)
	Support services	**536**	853
	Reduction in share capital	**496,875**	-
Associated entites:			
Chevron Phillips Chemical Company LLC ("CPCIS") (Note iii)	*Marketing fees*	**(198,428)**	(259,748)
	Royalty	**(51,146)**	(51,323)
	Support services	**(9,676)**	(10,654)
Chevron Phillips Chemical Global Employment Company	*Support services*	**(55,770)**	(73,452)
Chemical Services Inc.	*Support services*	**(18,806)**	(18,743)
Other affiliates	*Support services*	**(2,786)**	(1,759)

(i) SPCO has entered into a common facilities agreement with SCP pursuant to which, affiliate provides support services to SPCO in operations and maintenance, management and technical support.

(ii) SPCO, SCP and JCP jointly operate an employee savings plan for eligible employees. The contributions from the participants are deposited in a separate bank account held in the name of SCP.

(iii) SPCO has entered into a royalty agreement with CPCIS in prior years under which CPCIS charges royalty to SPCO for the use of polymerization processes.

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 Related party transactions and balances (continued)

(iv) During the year ended 31 December 2020, the NCI of SPCO reimbursed Saudi Riyals 50.5 million (2019: Saudi Riyals 123.7 million) to compensate SPCO for cash payments made relating to its income tax liability.

(v) Also see Note 18.

(b) Key management personnel compensation:

	2020	2019
Salaries and other short-term employee benefits	**26,721**	25,465
Post employment benefits	**4,072**	3,727
	30,793	29,192

(c) Outstanding balances arising from sales / purchases of goods and services are repayable in the ordinary course of business. Such balances do not bear any financial charges.

(i) Due from related parties

	2020	2019
SCP	**295,201**	212,682
JCP	**542,981**	52,238
ADCO	**49**	-
	838,231	264,920

(ii) Due to related parties

	2020	2019
JCP	**87,188**	99,383
SCP	**73,088**	65,509
CPCIS	**37,780**	41,993
Others	**828**	-
	198,884	206,885

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Revenue from contracts with customers

Revenue from contracts with customers represents the following:

	2020	2019
Sale of goods *(recognized at a point in time)*	**5,959,650**	7,500,643
Rendering of transportation services *(recognized over time)*	**153,116**	154,890
	6,112,766	7,655,533

The Group 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.

The Group's revenue payment terms range from 30 to 90 days.

There were no material returns, refunds and warranties provided by the Group on sale of its products. The contract liability balance only relates to advances from customers as at 31 December 2020 and 2019 and unearned revenue relating to rendering of transportation services as at 31 December 2020.

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 29.0 million (2019: Saudi Riyals 63.6 million).

As of 31 December 2020, the value of unfulfilled performance obligations amounted to Saudi Riyals 110.7 million (2019: Saudi Riyals 101.7 million) and the transaction price allocated to partially unsatisfied performance obligations amounted to Saudi Riyals 4.6 million (2019: Nil). Management expects that all of the transaction price relating to the unfulfilled and partially unsatisfied performance obligations as of 31 December 2020 will be recognised as revenue during 2021.

The geographic segmentation of revenue is as follows:

	2020	2019
Domestic/Middle East	**1,729,258**	1,953,634
Asia	**2,937,153**	3,859,226
Europe/Africa	**1,446,355**	1,842,673
	6,112,766	7,655,533

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Cost of revenues

	Note	2020	2019
Raw materials and consumables used		**2,431,915**	3,420,949
Depreciation	4, 5	**866,695**	876,057
Utilities, supplies and services		**602,108**	586,819
Impairment of property, plant and equipment	4	**389,969**	-
Freight and distribution		**220,432**	220,828
Salaries, wages and benefits		**203,066**	215,550
Royalty	20	**51,146**	51,323
Contract services		**40,526**	49,646
Write-off of inventories	8	**10,500**	-
Other		**42,025**	55,278
		4,858,382	5,476,450
Support services charged by related parties	20	**310,879**	296,224
		5,169,261	5,772,674

23 Selling and distribution expenses

	Note	2020	2019
Marketing fees	20	**198,428**	259,748
Freight and distribution		**61,410**	70,234
Warehousing		**36,420**	57,627
Salaries, wages and benefits		**9,113**	7,598
Other		**22,544**	21,579
		327,915	416,786
Support services charged by related parties	20	**5,348**	5,145
		333,263	421,931

24 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**45,186**	38,110
Depreciation	4, 5	**10,350**	10,915
Bank charges		**5,423**	6,260
Professional fees		**7,009**	1,023
Other		**21,363**	22,181
		89,331	78,489
Support services charged by related parties	20	**103,841**	115,796
		193,172	194,285

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Finance costs

	Note	2020	2019
Finance costs on long-term borrowings	14	**46,328**	171,224
Amortisation of transaction costs	14	**10,217**	3,159
Finance costs on employee benefit obligations	16	**7,966**	7,918
Finance costs on lease liabilities	15	**7,950**	2,072
Finance costs on subordinated loan from a related party	18	**4,723**	10,527
Finance costs on loans to employees	7	**991**	8,336
Finance costs on Sukuk		**-**	21,739
		78,175	224,975

26 Finance income

	Note	2020	2019
Finance income on short-term deposits		**20,288**	106,243
Unwinding of finance income on loans to employees	7	**11,520**	5,933
		31,808	112,176

27 Other income - net

	Note	2020	2019
Foreign currency exchange gain (loss) - net		**18,791**	(6,649)
Gain on disposals of property, plant and equipment		**953**	968
Gain on modification of subordinated loan from a related party	18	**619**	5,508
Insurance recovery		**-**	11,768
Other - net		**3,707**	2,875
		24,070	14,470

28 Financial risk management

28.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

28 Financial risk management (continued)

28.1 Financial risk factors (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals, United States Dollars and Euros. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Saudi Riyal is pegged to the United States Dollar and, accordingly, the management of the Group believes that the currency risk from United States Dollar denominated financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group's interest-bearing financial instruments were denominated in Saudi Riyal and United States Dollars.

At 31 December 2020, the Group had interest bearing financial assets of Saudi Riyals 1.2 billion (2019: Saudi Riyals 1.3 billion). However, the interest rates have been agreed with the respective financial institutions. Furthermore, the Group also had variable interest bearing financial liabilities of Saudi Riyals 2.2 billion (2019: Saudi Riyals 4.6 billion), and had the interest rate varied by 1% with all the other variables held constant, the net change in profit before zakat and income tax for the year would have been approximately Saudi Riyals 31.5 million (2019: Saudi Riyals 55.9 million) lower / higher, mainly as a result of lower / higher financial rate on floating rate financial instruments.

(iii) 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 Group's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade, related party, employee and other receivables.

Credit risk represents the financial loss that would be recognized at the reporting date if the counter parties failed to meet its contractual obligations. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

28 Financial risk management (continued)

28.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and related party receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. As at 31 December 2020 and 2019, there are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and related party receivables. The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

For trade and related party receivables, an internal risk assessment process determines the credit quality of the customers, considering 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. At 31 December 2020 and 2019, the ECL allowance on trade receivables was immaterial.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 December 2020 and 2019, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include loans to employees and other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for loan to employees and other receivables. At 31 December 2020 and 2019, the ECL allowance on other financial assets was immaterial.

Cash at bank:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 December 2020 and 2019, the ECL allowance on cash at bank was immaterial.

(c) Liquidity risk

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

Typically, the Group 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

28.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets. The Group's terms of contracts require amounts to be paid within 30-90 days of the date of billings. Trade payables are normally settled within 30-45 days of billing date or receipt of a correctly rendered invoice.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
2020					
Interest bearing					
Long-term borrowings	771,513	764,356	756,638	-	**2,292,507**
Lease liabilities	23,242	10,354	15,424	25,811	**74,831**
Non-interest bearing					
Trade payables	300,975	-	-	-	**300,975**
Due to related parties	198,884	-	-	-	**198,884**
Accrued and other liabilities	312,339	-	-	-	**312,339**
Dividends payable	225,000	-	-	-	**225,000**
	1,831,953	**774,710**	**772,062**	**25,811**	**3,404,536**

	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
2019					
Interest bearing					
Long-term borrowings	1,279,549	806,464	2,828,528	-	4,914,541
Subordinated loan from a related party	-	186,798	-	-	186,798
Lease liabilities	20,954	19,736	11,509	28,841	81,040
Non-interest bearing					
Trade payables	203,467	-	-	-	203,467
Due to related parties	206,885	-	-	-	206,885
Accrued and other liabilities	301,881	-	-	-	301,881
Dividends payable	337,500	-	-	-	337,500
	2,350,236	1,012,998	2,840,037	28,841	6,232,112

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

28.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The management does not consider lease liabilities for the purposes of calculating its gearing ratio. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and cash equivalents.

The gearing ratios at 31 December were as follows:

	2020	**2019**
Total borrowings	**2,237,108**	4,645,560
Less: cash and cash equivalents	**(2,080,971)**	(3,658,384)
Net debt	**156,137**	987,176
Equity	**14,633,330**	14,968,347
Total capital	**14,789,467**	15,955,523
Gearing ratio	**1%**	6%

Under the terms of the borrowing facilities, the Group is required to comply with the financial covenant of ensuring the leverage ratio should not be more than 4:1. The Group has complied with the financial covenant as at 31 December 2020.

28.3 Net debt reconciliation

The net debt of the Group is as follows:

	2020	**2019**
Cash and cash equivalents	**2,080,971**	3,658,384
Long-term borrowings	**(2,237,108)**	(4,645,560)
Net debt	**(156,137)**	(987,176)

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

28.3 Net debt reconciliation (continued)

The Group's net debt reconciliation is as follows:

	1 January 2020	Cash flows	Other	31 December 2020
Cash and cash equivalents	3,658,384	(1,577,413)	-	**2,080,971**
Long-term borrowings	(4,645,560)	2,418,669	(10,217)	**(2,237,108)**
Net debt	(987,176)	841,256	(10,217)	**(156,137)**

	1 January 2019	Cash flows	Other	31 December 2019
Cash and cash equivalents	4,107,011	(448,627)	-	3,658,384
Long-term borrowings	(6,225,692)	1,583,291	(3,159)	(4,645,560)
Net debt	(2,118,681)	1,134,664	(3,159)	(987,176)

28.4 Fair value estimation

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial risk management (continued)

28.4 Fair value estimation (continued)

The fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short-term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these are determined through cash flows discounted using interest rates which are based on prevailing market interest rates.

29 Financial instruments

The financial instruments by measurement category are detailed in the table below:

	2020	**2019**
Financial assets at amortised cost		
Other assets	**134,114**	124,137
Due from related parties	**838,231**	264,920
Trade receivables	**784,883**	906,097
Cash and cash equivalents	**2,080,971**	3,658,384
Total	**3,838,199**	4,953,538
Financial liabilities at amortised cost		
Long-term borrowings	**2,237,108**	4,645,560
Subordinated loan from a related party	**-**	182,696
Trade payables	**300,975**	203,467
Due to related parties	**198,884**	206,885
Accrued and other liabilities	**338,644**	335,275
Lease liabilities	**65,431**	65,014
Dividends payable	**225,000**	337,500
Total	**3,366,042**	5,976,397

30 Segment reporting

In respect of performance appraisal and allocation of resources, the Group's management is of the opinion that all activities and operations of the Group comprise of a single operating segment which is the petrochemical sector. Therefore, financial reports are issued only for geographical segments.

Operating assets are located in the Kingdom of Saudi Arabia. The sales are geographically distributed as follows:

	2020	**2019**
Domestic/Middle East	**28%**	26%
Asia	**48%**	50%
Europe/Africa	**24%**	24%
	100%	100%

31 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings for the year attributable to the shareholders of the Company 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 earnings per share is the same as the basic earnings per share.

	2020	**2019**
Earnings for the year	**91,645**	606,267
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**450,000**	450,000
Earnings per share	**0.20**	1.35

32 Dividends

During the year ended 31 December 2020, the Company's shareholders approved dividends amounting to Saudi Riyals 450.0 million of which Saudi Riyals 225.0 million were paid during the year and the remaining are payable as at 31 December 2020 (2019: Saudi Riyals 675.0 million of which Saudi Riyals 337.5 million were paid during 2019 and the remaining during 2020).

33 Contingencies and commitments

(i) At 31 December 2020, the Group was contingently liable for bank guarantees issued relating to uplift of feedstock for plant from a supplier amounting to Saudi Riyals 458.8 million (2019: Saudi Riyals 458.8 million) and bank guarantees issued in the normal course of business amounting to Saudi Riyals 11.2 million (2019: Saudi Riyals 10.9 million).

(ii) The capital expenditure approved by the Board of Directors, for the next 12 months, as at 31 December 2020 was approximately Saudi Riyals 134.3 million (2019: Saudi Riyals 83.0 million).

(iii) During 2010, Petrochem and the NCI of SPCO resolved to increase the share capital of SPCO through conversion of the subordinated loan amounting to Saudi Riyals 3.4 billion. The management of Petrochem agreed to compensate the NCI for additional costs it will incur, by making annual payments in the future based on the future earnings of SPCO, considering the non-distributable cash as a result of the share capital increase. During the year ended 31 December 2019, the shareholders of SPCO (Petrochem and the NCI) have resolved to decrease the share capital of SPCO with the same amount. The legal formalities for the reduction in share capital have not been completed as at 31 December 2020.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Comparative figures

Until 31 December 2019, the managements of GPDC and SPCO recorded freight costs as incidental costs necessary to satisfy performance obligations with its customers. As a result, freight costs were netted-off against the "Revenue from contracts with customers" line item in the consolidated statement of profit or loss and other comprehensive income. During 2020, the managements of GPDC and SPCO re-assessed this practice and concluded that freight costs were not incidental costs and, instead, were incurred in order to satisfy the performance obligation with its customers. As a consequence, management has reclassified such freight costs from "Revenue from contracts with customers" to "Cost of revenues" as summarized below. This reclassification has had no impact on the gross profit, operating profit, profit for the year, basic and diluted earnings per share or any consolidated statement of financial position line items.

Finance income previously included under “Other income - net” in the comparative consolidated financial statements has been presented separately as “Finance income” in the consolidated statement of profit or loss and other comprehensive income to conform to the presentation for the year ended 31 December 2020. This reclassification has had no impact on the gross profit, operating profit, profit for the year, basic and diluted earnings per share or any consolidated statement of financial position line items.

	As previously reported	Reclassification	As reclassified
Consolidated statement of profit or loss and other comprehensive income			
For the year ended 31 December 2019			
Revenue from contracts with customers	7,434,705	220,828	7,655,533
Cost of revenues	(5,551,846)	(220,828)	(5,772,674)
Gross profit	1,882,859	-	1,882,859
Other income - net	126,646	(112,176)	14,470
Finance income	-	112,176	112,176

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Comparative figures (continued)

Until 31 December 2019, the management of SPCO presented the financial asset and liability balances relating to its employee savings plan on a net basis in its statement of financial position. During 2020, the management of SPCO reassessed this position and concluded that such presentation was not appropriate keeping in view the requirements of IAS 19, 'Employee Benefits'. As a consequence, the management of SPCO reclassified the financial asset and liability balances on a gross basis in the "Due from related parties" and "Employee benefit obligations" line items in its comparative 2019 statement of financial position and related notes as summarized below. The management of the Company has included this reclassification in the consolidated statement of financial position and believes the reclassification to be immaterial, and has had no impact on any consolidated statement of profit or loss and other comprehensive income line items.

	As previously reported	Reclassification	As reclassified
Consolidated statement of financial position			
As at 31 December 2019			
Due from related parties	237,226	27,694	264,920
Employee benefit obligations	242,400	27,694	270,094