

**SAUDI INDUSTRIAL INVESTMENT GROUP  
COMPANY (A SAUDI JOINT STOCK COMPANY)  
AND ITS SUBSIDIARY**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2019  
AND INDEPENDENT AUDITOR'S REVIEW REPORT

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

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Interim Condensed Consolidated Financial Statements and Independent Auditor's Review Report  
For the three-month period and the year ended 31 December 2019

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**Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements**  
**To the Shareholders of Saudi Industrial Investment Group Company**  
**(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Industrial Investment Group Company, A Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 December 2019, and the related interim condensed consolidated statement of income and other comprehensive income for the three month period and the year then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material aspects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437



2 Jumada al-Thani 1441H  
27 January 2020

Al Khobar

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 SR "000" (un-audited)	31 December 2018 SR "000" (audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	14,175,705	15,020,745
Investment in joint ventures	5	2,010,487	2,175,978
Employees' loans		140,980	130,609
Right of use asset	3	69,277	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,396,449</b>	<b>17,327,332</b>
<b>CURRENT ASSETS</b>			
Trade receivables		920,877	1,035,382
Inventories	6	915,053	1,103,108
Prepayments and other receivables	7	93,934	263,292
Amounts due from related parties	8	237,227	221,326
Short term investments-bank deposits	9	-	330,000
Cash and cash equivalents	10	3,658,882	4,107,011
<b>TOTAL CURRENT ASSETS</b>		<b>5,825,973</b>	<b>7,060,119</b>
<b>TOTAL ASSETS</b>		<b>22,222,422</b>	<b>24,387,451</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	4,500,000	4,500,000
Statutory reserve		836,509	836,509
Retained earnings		1,456,475	1,561,595
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY</b>		<b>6,792,984</b>	<b>6,898,104</b>
Non-controlling interests		8,171,149	7,517,348
<b>TOTAL EQUITY</b>		<b>14,964,133</b>	<b>14,415,452</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Term loans	12	3,435,135	4,850,920
Non-controlling partner's subordinated loan	8	182,696	413,927
Non-current portion of lease liability	3	52,095	-
Deferred tax liabilities, net		326,651	311,055
Employees' benefits		242,400	170,664
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,238,977</b>	<b>5,746,566</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		203,467	37,962
Amounts due to related parties	8	206,895	209,172
Current portion of term loans	12	1,210,425	1,374,772
Sukuk-current portion	13	-	948,000
Accrued expenses and other payables	14	379,571	629,740
Dividends payable		337,500	337,500
Current portion of lease liability	3	12,915	-
Zakat and income tax provisions	15	668,539	688,287
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,019,312</b>	<b>4,225,433</b>
<b>TOTAL LIABILITIES</b>		<b>7,258,289</b>	<b>9,971,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,222,422</b>	<b>24,387,451</b>
		Designated member	Finance Manager
		Sulaiman Al-Mandeel	Hazem Abu Swaireh

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the three-month period and the year ended 31 December 2019

	Three-month period ended 31		Year ended 31 December	
	December		December	
	2019	2018	2019	2018
	SR "000"	SR "000"	SR "000"	SR "000"
	(un-audited)	(un-audited)	(un-audited)	(audited)
Sales	1,805,857	2,183,247	7,434,705	8,930,414
Cost of sales	(1,398,729)	(1,728,091)	(5,559,120)	(6,247,308)
<b>GROSS PROFIT</b>	<b>407,128</b>	<b>455,156</b>	<b>1,875,585</b>	<b>2,683,106</b>
Selling and distribution expenses	(106,311)	(119,991)	(422,944)	(471,618)
General and administrative expenses	(52,975)	(78,962)	(191,233)	(230,902)
Share in net results of joint ventures	(11,478)	(87,585)	273,842	311,506
<b>OPERATING PROFIT</b>	<b>236,364</b>	<b>168,618</b>	<b>1,535,250</b>	<b>2,292,092</b>
Other income, net	32,600	208,370	137,700	252,317
Finance costs	(45,398)	(80,948)	(227,865)	(304,033)
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>	<b>223,566</b>	<b>296,040</b>	<b>1,445,085</b>	<b>2,240,376</b>
Zakat and income tax:				
<i>Current tax</i>	(7,857)	(27,846)	(54,240)	(97,126)
<i>Deferred tax</i>	1,551	3,455	(15,596)	(35,015)
Zakat	(13,263)	(16,259)	(92,474)	(126,843)
<b>NET INCOME FOR THE PERIOD /YEAR</b>	<b>203,997</b>	<b>255,390</b>	<b>1,282,775</b>	<b>1,981,392</b>
<b>NET INCOME FOR THE PERIOD /YEAR ATTRIBUTABLE TO:</b>				
- Shareholders of the Company	61,738	25,698	605,325	864,908
- Non-controlling interests	142,259	229,692	677,450	1,116,484
	<b>203,997</b>	<b>255,390</b>	<b>1,282,775</b>	<b>1,981,392</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Re-measurement (loss) gain on defined benefit plans	(62,765)	50,751	(62,765)	50,751
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>141,232</b>	<b>306,141</b>	<b>1,220,010</b>	<b>2,032,143</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR ATTRIBUTABLE TO:</b>				
- Shareholders of the Company	26,293	57,446	569,880	896,656
- Non-controlling interests	114,939	248,695	650,130	1,135,487
	<b>141,232</b>	<b>306,141</b>	<b>1,220,010</b>	<b>2,032,143</b>
<b>EARNINGS PER SHARE (Saudi Riyals)</b>				
Number of shares outstanding (in thousands)	450,000	450,000	450,000	450,000
Basic and diluted earnings per share attributable to the shareholders of the Company	0.14	0.06	1.35	1.92

Designate member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

**Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

	<i>Equity attributable to the shareholders of the Company</i>				Non-controlling interests SR "000"	Total equity SR "000"
	Share capital SR "000"	Statutory reserve SR "000"	Retained earnings SR "000"	Total SR "000"		
Balance as 1 January 2019 (audited)	4,500,000	836,509	1,561,595	6,898,104	7,517,348	14,415,452
Income before zakat and income tax	-	-	661,610	661,610	783,475	1,445,085
Current tax	-	-	-	-	(54,240)	(54,240)
Deferred tax	-	-	-	-	(15,596)	(15,596)
Zakat	-	-	(56,285)	(56,285)	(36,189)	(92,474)
Net income for the year	-	-	605,325	605,325	677,450	1,282,775
Other comprehensive loss	-	-	(35,445)	(35,445)	(27,320)	(62,765)
Total comprehensive income for the year	-	-	569,880	569,880	650,130	1,220,010
Income tax reimbursed by non-controlling partner	-	-	-	-	123,671	123,671
Dividends	-	-	(675,000)	(675,000)	(120,000)	(795,000)
<b>Balance at 31 December 2019 (un-audited)</b>	<b>4,500,000</b>	<b>836,509</b>	<b>1,456,475</b>	<b>6,792,984</b>	<b>8,171,149</b>	<b>14,964,133</b>
As at 1 January 2018 (audited)	4,500,000	750,018	1,313,930	6,563,948	6,435,591	12,999,539
Income before zakat and income tax	-	-	942,441	942,441	1,297,935	2,240,376
Current tax	-	-	-	-	(97,126)	(97,126)
Deferred tax	-	-	-	-	(35,015)	(35,015)
Zakat	-	-	(77,533)	(77,533)	(49,310)	(126,843)
Net income for the year	-	-	864,908	864,908	1,116,484	1,981,392
Other comprehensive income	-	-	31,748	31,748	19,003	50,751
Total comprehensive income for the year	-	-	896,656	896,656	1,135,487	2,032,143
Income tax reimbursed by non-controlling partner	-	-	-	-	66,270	66,270
Transfer to statutory reserve	-	86,491	(86,491)	-	-	-
Dividends	-	-	(562,500)	(562,500)	(120,000)	(682,500)
Balance at 31 December 2018 (audited)	4,500,000	836,509	1,561,595	6,898,104	7,517,348	14,415,452

Designated member  
Sulaiman Al-Mandeel

Finance Manager  
Hazem Abu Swaireh

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 SR "000" (un-audited)	2018 SR "000" (audited)
<b>Cash flow from operating activities</b>			
Income before zakat and income tax		1,445,085	2,240,376
<i>Adjustments to reconcile income before zakat and income tax to net cash flows from operations:</i>			
Depreciation of property, plant and equipment		866,401	1,115,984
Depreciation of right of use asset		20,382	-
Adjustment of property, plant and equipment		-	4,881
Share in net results of joint ventures		(273,842)	(311,506)
Finance costs		227,865	304,033
Employees' benefits, net		28,331	31,783
Gain on disposal of property, plant and equipment		(968)	(138)
		<u>2,313,254</u>	<u>3,385,413</u>
<b>Working capital adjustments:</b>			
Trade receivables		114,505	73,565
Inventories		188,055	(10,170)
Employees' loans, prepayments and other receivables		147,610	(165,610)
Amounts due from related parties		(15,901)	7,184
Amounts due to related parties		(2,277)	(24,904)
Trade payables		165,505	(181,005)
Accrued expenses and other payables		(250,169)	210,329
		<u>2,660,582</u>	<u>3,294,802</u>
<b>Net cash flows from operations</b>		<b>2,660,582</b>	<b>3,294,802</b>
Finance costs paid		(217,614)	(254,099)
Zakat and income tax paid		(166,462)	(121,377)
		<u>2,276,506</u>	<u>2,919,326</u>
<b>Net cash flows from operating activities</b>		<b>2,276,506</b>	<b>2,919,326</b>
<b>Investing activities</b>			
Additions to property, plant and equipment		(32,589)	(69,635)
Additions to right of use asset		(113)	-
Dividends received from joint ventures		419,973	610,197
Net movement in short term investments-bank deposits		330,000	436,000
Proceeds from disposal of property, plant and equipment		12,196	138
		<u>729,467</u>	<u>976,700</u>
<b>Net cash flows from investing activities</b>		<b>729,467</b>	<b>976,700</b>
<b>Financing activities</b>			
Net movement in term loans		(1,583,291)	(1,773,604)
Net movement in non-controlling partner's subordinated loan		(236,249)	(446,250)
Net movement in sukuk		(948,000)	(122,000)
Income tax reimbursed by non-controlling partner		123,671	66,270
Payments of lease liability		(15,233)	-
Dividends paid		(795,000)	(570,000)
		<u>(3,454,102)</u>	<u>(2,845,584)</u>
<b>Net cash flows used in financing activities</b>		<b>(3,454,102)</b>	<b>(2,845,584)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(448,129)</b>	<b>1,050,442</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,107,011</b>	<b>3,056,569</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>3,658,882</b>	<b>4,107,011</b>

(continued)

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(continued)

For the year ended 31 December 2019

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
<b><u>Non-cash transactions</u></b>		
Accrued finance cost on non-controlling partner's subordinated loan	5,018	42,189
Amortization of transaction costs on term loans	3,159	5,400
Net amount of non cash movement in accrued interest	-	2,345
Remeasurement (loss) gain recaptured on joint ventures	(19,360)	22,600
Remeasurement (loss) gain on defined benefit plans	(43,405)	28,151
Amounts recognised as right of use asset and lease liability	89,036	-
Amounts recognised as right of use asset when applying IFRS 16	77,659	-
Amounts recognised as lease liability when applying IFRS 16	11,377	-
Amounts recognised as right of use asset when applying IFRS 16 which deducted from prepayments	510	-
Accrued interest on lease liabilities	2,074	-
Dividends declared and credited to dividends payable	-	112,500

Designated member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.



# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

As at 31 December 2019

### 1 CORPORATE INFORMATION

Saudi Industrial Investment Group Company ("the Company") is a Saudi Joint Stock Company registered in Riyadh city, Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated on 10 Sha'ban 1416 H (corresponding to 1 January 1996). The registered address of the Company is P.O. Box 99833, Al Riyadh City, Kingdom of Saudi Arabia.

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

	Country of incorporation	Percentage of ownership
National Petrochemical Company (A Joint Stock Company) and its subsidiaries	Saudi Arabia	50%
The subsidiaries of National Petrochemical Company are as follows:		
• Saudi Polymers Company (A Limited Liability Company)	Saudi Arabia	65%
	United Arab Emirates	
• Gulf Polymers Distribution Company (A Free Zone Limited Liability Company)	Emirates	65%

National Petrochemical Company ("Petrochem") is a Saudi Joint Stock Company registered under Commercial Registration Number 1010246363 issued in Riyadh on 8 Rabie I 1429 H (corresponding to 16 March 2008), and it was established pursuant to the Ministry of Commerce and Industry's resolution number 53/Q dated 16 Safar 1429 H (corresponding to 23 February 2008).

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

During the year ended 31 December 2019, the partners of SPCO have resolved to decrease the share capital of SPCO from SR 4,800 million to SR 1,406 million. The legal process for the reduction in capital has not been completed till the year end.

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

The Group is 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.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These interim condensed consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements to be prepared in accordance with IFRS that are endorsed in KSA and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 (note 3). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted IFRS 16 "Leases" from 1 January 2019 and accounting policies for this new standard are disclosed in note 3.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

As at 31 December 2019

### **2 BASIS OF PREPARATION (continued)**

#### **2.2 Basis of measurement**

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

The interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group except for the Gulf Polymers Distribution Company FZCO which is translated in these interim condensed consolidated financial statement from US Dollar currency to Saudi Riyals currency on a fixed rate of SR 3.75 to 1 US Dollar. All values are rounded to the nearest thousand (SR '000'), except when otherwise indicated.

#### **2.3 Basis of consolidation**

The interim condensed consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists 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 investee if, and only if, the Group has all of the following three elements:

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intra-group investment, transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

Non-controlling interests in the results and equity of not wholly owned subsidiaries are shown separately in the interim condensed consolidated statement of income and other comprehensive income and interim condensed consolidated statement of financial position and interim condensed consolidated statement of changes in equity, respectively.

#### **2.4 Approval of interim condensed consolidated financial statements**

These interim condensed consolidated financial statements were approved on 27 January 2020 (corresponding to 2 Jumada al-Thani 1441H).

### **3 NEW ACCOUNTING POLICIES**

The Group has adopted IFRS 16 "Leases" from 1 January 2019. As required by IAS 34, the nature and effect of applying this standard is disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **3.1 IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

As at 31 December 2019

### 3 NEW ACCOUNTING POLICIES (continued)

#### 3.1 IFRS 16 Leases (continued)

The Group applied modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16 at, 1 January 2019, to the retained earnings and not restate prior years. Since the Group recognized the right-of-use assets at the amount equal to the lease liabilities, there was no impact to the retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

#### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of land and vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

#### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### *Right-of-use assets*

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

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

As at 31 December 2019

**3 NEW ACCOUNTING POLICIES (continued)**

**3.1 IFRS 16 Leases (continued)**

*Lease liabilities*

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

*Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

*Amounts recognised in the interim condensed consolidated statements of financial position and income and other comprehensive income:*

	<i>Right-of-use-asset</i>			<i>Lease liabilities</i>
	<i>Land</i>	<i>Equipment</i>	<i>Total</i>	
	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>
Amounts recognised in the interim condensed consolidated statement of financial position when applying IFRS 16 at 1 January 2019	32,663	56,373	89,036	77,659
Additions during the year	-	623	623	510
Depreciation expense during the year	(1,973)	(18,409)	(20,382)	-
Interest charged for the year	-	-	-	2,074
Payments during the year	-	-	-	(15,233)
<b>As 31 December 2019</b>	<b>30,690</b>	<b>38,587</b>	<b>69,277</b>	<b>65,010</b>

# Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UN-AUDITED) (continued)

As at 31 December 2019

### 3 NEW ACCOUNTING POLICIES (continued)

#### 3.1 IFRS 16 Leases (continued)

During the year, depreciation of right-of-use-assets of SR 20,382 thousand have been recognised in interim condensed consolidated statement income and other comprehensive income.

#### 3.2 Significant accounting estimates, assumptions and judgments

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods except for the significant new judgments and significant sources of estimates and uncertainties related to the application of IFRS 16 as mentioned above in note (3-1).

### 4 PROPERTY, PLANT AND EQUIPMENT

The movements for the Group's property, plant and equipment were as follows:

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Net book value at the beginning of the year	15,020,745	16,071,975
Additions during the year	32,589	69,635
Net book value of the disposals during the year	(11,228)	-
Adjustment	-	(4,881)
Depreciation charged during the year	(866,401)	(1,115,984)
<b>Net book value at the end of the year</b>	<b>14,175,705</b>	<b>15,020,745</b>

Part of the Group's property, plant and equipment are secured by (i) liens against term loan from Saudi Industrial Development Fund and (ii) assignment of residual proceeds against term loans from consortium of commercial banks and Public Investments Fund ("PIF").

### 5 INVESTMENT IN JOINT VENTURES

The joint ventures are the following companies established in the Kingdom of Saudi Arabia as limited liability companies:

	Percentage of ownership
Saudi Chevron Phillips Company	50%
Jubail Chevron Phillips Company	50%

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(UN-AUDITED) (continued)

As at 31 December 2019

**5 INVESTMENT IN JOINT VENTURES (continued)**

**5.1 Saudi Chevron Phillips Company ("SCPC")**

Saudi Chevron Phillips Company ("SCPC") is a limited liability company registered in Jubail, Saudi Arabia under Commercial Registration number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996) with a branch in Jubail under Commercial Registration number 2055009584, SCPC is engaged in the production of iso-pentane, toluene, fuel gas, heptane and hydrogen, normal pentane, benzene and cyclohexane mixed hydrocarbon aromatics. SCPC is engaged in the production of iso-pentane, toluene, fuel gas, heptane and hydrogen, normal pentane, benzene and cyclohexane mixed hydrocarbon aromatics.

During the year 2018, partners of SCPC resolved to decrease the capital of SCPC by SR 411.3 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter had been completed subsequent to year end. This reduction will be returned to the partners of SCPC in stages according to SCPC's financial capabilities during the upcoming years.

**5.2 Jubail Chevron Phillips Company ("JCPC")**

Jubail Chevron Phillips Company ("JCPC") is a limited liability company registered in Jubail, Saudi Arabia under Commercial Registration number 2055005901 dated 25 Jumada' II 1424H (corresponding to 23 August 2003) with a branch in Jubail under Commercial Registration number 2055005935. The principal activities of the Company are to produce and to sell Styrene, Mixed Mogas, Aromatic Benzene and Fuel Oil.

During the year 2018, partners of JCPC resolved to decrease the capital of JCPC by SR 994 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter had been completed subsequent to year end. This reduction will be returned to the partners of JCPC in stages according to JCPC's financial capabilities during the upcoming years.

**6 INVENTORIES**

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Finished goods	355,030	558,056
Spares	423,005	411,506
Catalyst, chemicals and additives	135,319	132,798
Raw materials	1,699	748
	<u>915,053</u>	<u>1,103,108</u>

**7 PREPAYMENTS AND OTHER RECEIVABLES**

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Prepayments	34,977	27,429
Employees' loans- current portion	30,232	27,942
Value added tax receivables, net	17,321	31,732
Accrued interest income	7,444	12,163
Cash margin against bank guarantee	2,264	2,264
Recoverable insurance claim	-	136,759
Cash margin against issuance of Sukuk (note 13)	-	16,455
Other receivables	1,696	8,548
	<u>93,934</u>	<u>263,292</u>

Saudi Industrial Investment Group Company (A Saudi Joint Stock Company) and its subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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As at 31 December 2019

**8 RELATED PARTIES' TRANSACTIONS AND BALANCES**

Related parties represent shareholders and entities controlled, jointly controlled or significantly influenced by such parties (affiliates).

**a The following are the major related parties' transactions during the year:**

Related parties	Relationship	Nature of transactions	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Saudi Chevron Phillips Company (note a.1)	Related party	Sales	203,940	261,562
		Purchases	69,349	19,805
		Support services	373,751	341,354
Jubail Chevron Phillips Company	Related party	Sales	302,415	374,858
		Purchases	1,064,058	1,197,694
		Support services	853	-
Chevron Phillips Chemical Company LLC (note a.2)	Related party	Royalty	51,321	51,488
Chevron Phillips Chemical Global Employment Company LLC	Related party	Support services	72,820	77,639
Chevron Phillips Chemical International Sales LLC	Related party	Support services	10,655	8,251
		Marketing fees	259,748	317,231
Chemical Services Inc	Related party	Support services	18,740	17,487
Chevron Phillips Chemicals International	Related party	Support services	767	788
Chevron Phillips Chemical Asia Pte Limited	Related party	Support services	602	593
Chevron Phillips (Shanghai) Corp	Related party	Support services	390	386
CPC Global Employment Company LLC	Related party	Support services	635	934

(note a.1) The Group entered into a common facilities agreement (the "Agreement") with Saudi Chevron Phillips Company ("joint venture") pursuant to which, joint venture provides support services to the Group in operations and maintenance, management support and technical support.

(note a.2) The Group entered into a royalty agreement (the "Agreement") with Chevron Phillips Chemical Company LLC in prior years under which the related party charged the royalty to the Group for the use of polymerization processes.

(note a.3) The non-controlling partner of Saudi Polymers Company (a consolidated subsidiary) have provided non-interest bearing subordinated loan of SR 1,131.7 million in prior years to finance the construction of a petrochemical plant. The repayment of the loan is subject to certain covenants being met under the terms of commercial loan facilities (note 12). The Group has repaid SR 945 million in current and prior periods.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UN-AUDITED) (continued)

As at 31 December 2019

**8 RELATED PARTIES' TRANSACTIONS AND BALANCES (continued)**

**b The following are the related parties' ending balances:**

Related parties	2019 SR "000" (un-audited)	2018 SR "000" (audited)
<i>b.1 Amounts due from related parties under current assets:</i>		
Saudi Chevron Phillips Company	184,988	172,631
Jubail Chevron Phillips Company	52,239	48,695
	<u>237,227</u>	<u>221,326</u>
<i>b.2 Amounts due to related parties under current liabilities:</i>		
Jubail Chevron Phillips Company	99,388	86,524
Saudi Chevron Phillips Company	65,507	72,187
Chevron Phillips Chemical International Sales LLC	42,000	48,200
Chevron Phillips Chemical Global Employment Company LLC	-	2,261
	<u>206,895</u>	<u>209,172</u>

**c The following are the key management personnel compensation:**

Key management personnel represent board members, directors and key personnel of the Group. Remuneration for the year ended 31 December 2019 and 31 December 2018 of key management of the Group are detailed as follows:

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Short-term employees' benefits	25,089	28,075
Terminal benefits	3,727	8,147
	<u>28,816</u>	<u>36,222</u>

**9 SHORT TERM INVESTMENTS-BANK DEPOSITS**

These bank deposits are held as short term investments and are placed with local banks in Saudi Riyal, with original maturities of more than three months but not more than one year from the date of acquisition, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.



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**10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<b>2019</b>	2018
	<b>SR "000"</b>	SR "000"
	<b>(un-audited)</b>	(audited)
Bank balances	<b>2,369,132</b>	1,102,011
Time deposits	<b>1,289,750</b>	3,005,000
	<b><u>3,658,882</u></b>	<u>4,107,011</u>

Time deposits are placed with local and foreign banks in Saudi Riyal and US Dollar respectively, with maturity of 3 months or less and carry commission at commercial rates.

Part of the Group's cash and cash equivalents amounting to SR 2,098 million (31 December 2018: SR 2,097 million) are assigned as security against loan facilities from consortiums of commercial banks and Public Investment Fund ("PIF") (see note 12). This includes SR 1,192 million (31 December 2018: SR 1,185 million) related to debt service requirements.

**11 SHARE CAPITAL**

The share capital amounting to SR 4,500 million is divided into 450 million shares of SR 10 each as of 31 December 2019 and 31 December 2018.

**12 TERM LOANS**

The term loans represent the utilised amounts from loan facilities obtained by the Group from a consortium of local and foreign commercial banks, Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF"). These facilities are secured by various guarantees including pledges over certain property, plant and equipment, bank accounts and time deposits of the Group. These loans carry varying interest rates in excess of LIBOR and are consistent with the terms of each loan facility agreement. Those loans should be repaid on semi-annually installments. The portion of term loans payable beyond 31 December 2020 has been reclassified under non-current liabilities. The Group is required to comply with the covenants stipulated for in all of the loan facility agreements.

**13 SUKUK**

On 25 Sha'aban 1435H (corresponding to 23 June 2014), the National Petrochemical Company (a consolidated subsidiary) issued Sukuk amounting to SR 1.2 billion at par value of SR 1 million each without discount or premium. The Sukuk issued had a variable rate of return at SIBOR plus 1.7% margin, It was payable semi-annually. The Sukuk were due at par value on its maturity date of 20 Shawwal 1440H (corresponding to 23 June 2019).

On 19 Ramadan 1439H (corresponding to 3 June 2018), the Board of Directors of National Petrochemical Company (a consolidated subsidiary) resolved to re-purchase the issued Sukuk. Accordingly, the subsidiary re-purchased part of the issued sukuk amounting to SR 122 million. The Group repaid the remaining Sukuk during the year.

In accordance with the Sukuk agreement dated 25 Sha'ban 1435H (corresponding to 23 June 2014), an amount of SR 16.5 million was deposited as a cash margin held by Riyadh Capital Company in an open account on behalf of the Sukukholders' Agent (note 7).

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**14 ACCRUED EXPENSES AND OTHER PAYABLES**

	2019 SR "000" (un-audited)	2018 SR "000" (audited)
Accrued expenses	269,846	436,416
Advances from customers	43,808	63,645
Other payables	65,917	129,679
	<u>379,571</u>	<u>629,740</u>

**15 ZAKAT AND INCOME TAX PROVISIONS**

The Group is subject to zakat and income tax in accordance with the regulation of the General Authority of Zakat and Income Tax ("GAZT"). Provisions for zakat and income tax are charged to the interim condensed consolidated statement of income and other comprehensive income.

*Status of assessments*

*Status of assessments of Saudi Industrial Investment Group Company*

The Company has filed its Zakat and Income Tax returns with the General Authority of Zakat and Tax ("GAZT") up to 2018. The Company has finalised its zakat status with the General Authority of Zakat and Tax ("GAZT") for all years up to 31 December 2006 on standalone basis. The GAZT raised an assessments for the years from 2007 to 2014 claiming additional zakat liability of SR 42 million. The Company has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC") and the PAC's hearing is awaited. The assessments for 2015 up to 2018 still under GAZT's review.

*Status of assessments of National Petrochemical Company (Petrochem)*

The subsidiary has filed its Zakat and Income Tax returns with the General Authority of Zakat and Tax ("GAZT") up to 2018. The subsidiary has finalised its zakat status with the General Authority of Zakat and Tax ("GAZT") for all years up to 31 December 2010 on a standalone basis and number of additional liability have been issued by GAZT for the years from 2011 up to 2016 as follows:

The GAZT raised assessments for the years from 2011 to 2013 claiming additional zakat liability of SR 95.5 million. The subsidiary has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC"). The subsidiary received revised zakat assessments for the years from 2011 to 2013 from the GAZT claiming additional zakat liability of SR 5.74 million. The subsidiary accepted and paid SR 3.47 million and filed an appeal for the remaining balance SR 2.27 million with the Higher Appeal Committee ("HAC") and the HAC's hearing is awaited.

The GAZT raised an assessments for the years from 2014 to 2016 claiming additional zakat liability of SR 204.2 million. The subsidiary has filed an appeal against the additional zakat liability with the Preliminary Appeal Committee ("PAC") and the PAC's hearing is awaited. The assessments for 2017 and 2018 still under GAZT's review.

*Status of assessments of Saudi Polymers Company*

The subsidiary has filed its zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") up to 2018. The assessment for the period ended 31 December 2008 has been finalised with the GAZT with nil liability. The assessments for the years from 2009 through 2018 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.

*Status of assessments of Gulf Polymers Distribution Company FZCO*

The subsidiary registered in the Dubai Airport Free Zone and the subsidiary is exempted from income tax.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

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#### 16 CAPITAL COMMITMENTS

At 31 December 2019, the Group has authorised future capital expenditure amounting to SR 82.2 million (31 December 2018: SR 135 million) relating to certain expansion projects.

#### 17 CONTINGENCIES

During 2010, National Petrochemical Company (a consolidated subsidiary) and the non-controlling partner in Saudi Polymers Company resolved to increase the capital of Saudi Polymers Company (a consolidated subsidiary) by SR 3,394 million, which will cause the non-controlling partner to incur additional costs; the management of National Petrochemical Company has agreed to compensate the non-controlling partner by making annual payments in the future based on the future earnings of Saudi Polymers Company, considering the non-distributable cash as a result of the proposed capital increase.

The Group's bankers has issued guarantees, on behalf of the Group, amounting to SR 458.8 million (31 December 2018: SR 389 million) relating to uplift of feedstock for plant from a supplier and zakat appeals.

#### 18 SEGMENT INFORMATION

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 one single operating segment, the petrochemical sector. Therefore, financial reports are issued only for geographical segments.

##### *Geographical segments*

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

	2019 (un-audited)	2018 (audited)
	%	%
Domestic/Middle East	20	19
Asia	55	51
Europe/Africa	25	30
	<u>100</u>	<u>100</u>

#### 19 SUBSEQUENT EVENTS

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

#### 20 COMPARATIVE FIGURES

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