

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 ENDED 31 MARCH 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT

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

Interim Condensed Consolidated Financial Statements and Independent Auditor's Review Report
For the three-month period ended 31 March 2020

INDEX	PAGES
Independent auditor's review report	1
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of income and other comprehensive income	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5-6
Notes to the interim condensed consolidated financial statements	7-14



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

Registration No. 45/11/323
C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com/mena

**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 March 2020, and the related interim condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows for three-month period 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

6 Ramadan 1441H
29 April 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 March 2020

	Note	31 March 2020 SR "000" (un-audited)	31 December 2019 SR "000" (audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	13,965,058	14,175,897
Investment in joint ventures	5	1,025,379	2,010,642
Right of use asset		64,186	69,280
Employees' loans		134,698	140,980
TOTAL NON-CURRENT ASSETS		15,189,321	16,396,799
CURRENT ASSETS			
Trade receivables		714,148	906,097
Inventories	6	946,260	915,053
Prepayments and other receivables	7	103,842	93,745
Amounts due from related parties	8	887,851	237,226
Short term investments-bank deposits	9	128,000	-
Cash and cash equivalents	10	2,061,582	3,658,384
TOTAL CURRENT ASSETS		4,841,683	5,810,505
TOTAL ASSETS		20,031,004	22,207,304
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	4,500,000	4,500,000
Statutory reserve		897,136	897,136
Retained earnings		1,222,875	1,396,789
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		6,620,011	6,793,925
Non-controlling interests		8,259,361	8,174,422
TOTAL EQUITY		14,879,372	14,968,347
LIABILITIES			
NON-CURRENT LIABILITIES			
Term loans	12	2,227,265	3,435,135
Non-controlling partner's subordinated loan	8	104,063	182,696
Non-current portion of lease liability		47,717	52,097
Deferred tax liabilities, net		327,607	326,273
Employees' benefits		248,859	242,400
TOTAL NON-CURRENT LIABILITIES		2,955,511	4,238,601
CURRENT LIABILITIES			
Trade payables		212,894	203,467
Amounts due to related parties	8	149,163	206,885
Current portion of term loans	12	750,000	1,210,425
Accrued expenses and other payables	13	396,490	364,304
Dividends payable		-	337,500
Current portion of lease liability		13,870	12,917
Zakat and income tax provisions	14	673,704	664,858
TOTAL CURRENT LIABILITIES		2,196,121	3,000,356
TOTAL LIABILITIES		5,151,632	7,238,957
TOTAL EQUITY AND LIABILITIES		20,031,004	22,207,304

Designated member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 19 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 ended 31 March 2020

	Three-month period ended 31 March	
	2020	2019
	SR "000"	SR "000"
	(un-audited)	(un-audited)
Sales	1,515,288	2,020,114
Cost of sales	(1,268,454)	(1,502,703)
GROSS PROFIT	246,834	517,411
Selling and distribution expenses	(84,547)	(107,204)
General and administrative expenses	(45,544)	(47,161)
Share in net results of joint ventures	(189,310)	90,688
OPERATING (LOSS) PROFIT	(72,567)	453,734
Other income, net	20,736	27,803
Finance costs	(26,962)	(73,006)
(LOSS) INCOME BEFORE ZAKAT AND INCOME TAX	(78,793)	408,531
Zakat and income tax:		
<i>Current tax</i>	(2,501)	(13,245)
<i>Deferred tax</i>	(1,334)	(5,060)
Zakat	(30,623)	(27,117)
NET (LOSS) INCOME FOR THE PERIOD	(113,251)	363,109
OTHER COMPREHENSIVE INCOME		
Re-measurement gain on defined benefit plans	-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(113,251)	363,109
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
- Shareholders of the Company	(173,914)	178,207
- Non-controlling interests	60,663	184,902
	(113,251)	363,109
(LOSS) EARNINGS PER SHARE (Saudi Riyals)		
Number of shares outstanding (in thousands)	450,000	450,000
Basic and diluted (loss) earnings per share attributable to the shareholders of the Company	(0.39)	0.40

Designate member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 19 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 three-month period ended 31 March 2020

	<i>Equity attributable to the shareholders of the Company</i>				Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
	SR "000"	SR "000"	SR "000"	SR "000"		
Balance as 1 January 2020 (audited)	4,500,000	897,136	1,396,789	6,793,925	8,174,422	14,968,347
(Loss) income before zakat and income tax	-	-	(154,606)	(154,606)	75,813	(78,793)
Current tax	-	-	-	-	(2,501)	(2,501)
Deferred tax	-	-	-	-	(1,334)	(1,334)
Zakat	-	-	(19,308)	(19,308)	(11,315)	(30,623)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) income for the period	-	-	(173,914)	(173,914)	60,663	(113,251)
Income tax reimbursed by non-controlling partner	-	-	-	-	24,276	24,276
Balance at 31 March 2020 (un-audited)	4,500,000	897,136	1,222,875	6,620,011	8,259,361	14,879,372
As at 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	-	-	193,834	193,834	214,697	408,531
Current tax	-	-	-	-	(13,245)	(13,245)
Deferred tax	-	-	-	-	(5,060)	(5,060)
Zakat	-	-	(15,627)	(15,627)	(11,490)	(27,117)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	178,207	178,207	184,902	363,109
Income tax reimbursed by non-controlling partner	-	-	-	-	10,995	10,995
Balance at 31 March 2019 (un-audited)	4,500,000	836,509	1,739,802	7,076,311	7,713,245	14,789,556

Designated member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 19 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 three-month period ended 31 March 2020

	Three-month period ended 31 March	
	2020	2019
Note	SR "000" (un-audited)	SR "000" (un-audited)
Cash flow from operating activities		
(Loss) income before zakat and income tax	(78,793)	408,531
Adjustments to reconcile (loss) income before zakat and income tax to net cash flows from operations:		
Depreciation of property, plant and equipment	216,558	216,890
Depreciation of right of use asset	5,094	657
Share in net results of joint ventures	189,310	(90,688)
Finance costs	26,962	73,006
Employees' benefits, net	6,459	7,760
Re-measurement gain on non-controlling partner's subordinated loan	(1,593)	-
	363,997	616,156
Working capital adjustments:		
Trade receivables	191,949	(48,085)
Inventories	(31,207)	152,736
Employees' loans, prepayments and other receivables	(3,815)	124,218
Amounts due from related parties	51,625	7,051
Amounts due to related parties	(57,773)	14,651
Trade payables	9,427	163,827
Accrued expenses and other payables	32,186	(167,992)
Net cash flows from operations	556,389	862,562
Finance costs paid	(21,630)	(43,077)
Zakat and income tax paid	(24,278)	(94,175)
Net cash flows from operating activities	510,481	725,310
Investing activities		
Additions to property, plant and equipment	(5,719)	(9,013)
Additions to right of use asset	-	(113)
Dividends received from joint ventures	93,754	75,000
Net movement in short term investments-bank deposits	(128,000)	330,000
Net cash flows (used in) from investing activities	(39,965)	395,874
Financing activities		
Net movement in term loans	(1,671,454)	(92,821)
Net movement in non-controlling partner's subordinated loan	(78,750)	(98,438)
Income tax reimbursed by non-controlling partner	24,276	10,995
Payments of lease liability	(3,890)	(558)
Dividends paid	(337,500)	(335,036)
Net cash flows used in financing activities	(2,067,318)	(515,858)
Net (decrease) increase in cash and cash equivalents	(1,596,802)	605,326
Cash and cash equivalents at the beginning of the period	3,658,384	4,107,011
Cash and cash equivalents at the end of the period	2,061,582	4,712,337

(continued)

The attached notes 1 to 19 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 three-month period ended 31 March 2020

	Three-month period ended 31 March	
	2020 SR "000" (un-audited)	2019 SR "000" (un-audited)
<u>Non-cash transactions</u>		
Accrued finance cost on non-controlling partner's subordinated loan	1,710	3,907
Amortization of transaction costs on term loans	3,159	954
Net amount of non cash movement in accrued interest	-	24,815
Decrease in the share capital for joint ventures debited to amounts due from related parties	702,250	-
Accrued interest on lease liabilities	463	253
Investing in a joint venture by crediting amounts due to related parties	51	-
Amounts recognised as right of use asset and lease liability	-	510
Amounts recognised as right of use asset and lease liability when applying IFRS 16	-	30,858
Amounts recognised as right of use asset when applying IFRS 16 which deducted from prepayments	-	1,665
	_____	_____

Designated member

Sulaiman Al-Mandeel

Finance Manager

Hazem Abu Swaireh

The attached notes 1 to 19 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 March 2020

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%
• Gulf Polymers Distribution Company (A Free Zone Limited Liability Company)	United Arab 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 period 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 period ended 31 March 2020 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 2019. 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 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

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 March 2020

2 BASIS OF PREPARATION (continued)

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 6 Ramadan 1441H (corresponding to 29 April 2020).

3 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 accompanying disclosure, and the disclosures of contingent liabilities. The outbreak of novel coronavirus ("COVID-19") since early 2020, caused disruption to businesses and economic activity globally including the Kingdom of Saudi Arabia which necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 December 2019. Whilst it is challenging now to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that as of the issuance date of these interim condensed consolidated financial statements, that there were no significant changes required to the judgments and key assumptions used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

4 PROPERTY, PLANT AND EQUIPMENT

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

	Three-month period ended 31 March	
	2020	2019
	SR "000" (un-audited)	SR "000" (un-audited)
Net book value at the beginning of the period	14,175,897	15,020,745
Additions during the period	5,719	9,013
Depreciation charged during the period	(216,558)	(216,890)
Net book value at the end of the period	13,965,058	14,812,868

Part of the Group's property, plant and equipment were 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"). However, the entire balances for such loans have been repaid during the period ended 31 March 2020 (note 12).

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 March 2020

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%
Aromatics Distribution Company FZCO	50% (31 December 2019: nil)

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 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter had been completed during the period. This reduction is payables in demand to the partners of SCPC in according to SCPC's financial capabilities and presented under current liabilities (note 8).

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 during the period. This reduction is payables in demand to the partners of JCPC in according to JCPC's financial capabilities and presented under current liabilities (note 8).

5.3 Aromatics Distribution Company FZCO ("ADCO")

AROMATIC Distribution Company FZCO ("ADCO") is registered in Duabi Airport free zone (DAFZA) under license number 4105. The company is engaged to distribute the aromatic products (Styrene, cyclohexane, Propane and benzene) produced by JCPC and SCPC. The Company is jointly owned by the Group and Arabian Chevron Phillips Petrochemical Company Limited "ACPC" with a capital of SAR 51,000 each. The Company started its operations from March 2020 onwards.

6 INVENTORIES

	31 March 2020	31 December 2019
	SR "000"	SR "000"
	(un-audited)	(audited)
Spares	418,831	423,005
Finished goods	386,400	355,030
Catalyst, chemicals and additives	137,998	135,319
Raw materials	3,031	1,699
	946,260	915,053

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 March 2020

7 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2020	31 December 2019
	SR "000"	SR "000"
	(un-audited)	(audited)
Prepayments	52,998	34,765
Employees' loans- current portion	28,985	30,234
Value added tax receivables, net	11,437	17,321
Accrued interest income	5,609	7,444
Cash margin against bank guarantee	2,264	2,264
Other receivables	2,549	1,717
	103,842	93,745

8 RELATED PARTIES' TRANSACTIONS AND BALANCES

Related parties represent major shareholders and directors and key management personnel of the Group, entities controlled, jointly controlled or significantly influenced by such parties (affiliates). Pricing policies and terms of these transactions are approved by the Group's management.

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

	Relationship	Nature of transactions	Three-month period ended 31 March	
			2020	2019
Related parties			SR "000"	SR "000"
			(un-audited)	(un-audited)
Saudi Chevron Phillips Company (note a.1)	Joint venture	Sales	58,028	42,373
		Purchases	20,026	16,637
		Support services	88,115	73,074
		Reduction of the joint venture capital (note5)	205,500	-
Jubail Chevron Phillips Company	Joint venture	Sales	73,259	85,019
		Purchases	223,762	262,816
		Support services	121	233
		Reduction of the joint venture capital (note5)	496,750	-
Chevron Phillips Chemical Company LLC (note a.2)	Related party	Royalty	12,778	12,036
Chevron Phillips Chemical Global Employment Company	Related party	Support services	11,232	15,327
Chevron Phillips Chemical International Sales LLC	Related party	Support services	2,993	3,015
		Marketing fees	48,034	68,519
Chemical Services Inc	Related party	Support services	3,738	3,863
Chevron Phillips Chemicals International Inc.	Related party	Support services	266	133
Chevron Phillips Chemicals International N.V.	Related party	Support services	217	190
Chevron Phillips Chemical Asia Pte Limited.	Related party	Support services	287	287
Chevron Phillips Corporation (Shanghai)	Related party	Support services	98	98
CPC Global Employment Company LLC.	Related party	Support services	507	318

(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.

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 March 2020

8 RELATED PARTIES' TRANSACTIONS AND BALANCES (continued)

a The following are the major related parties' transactions during the period: (continued)

(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, which were settled during the period ended 31 March 2020.(note 12). The Group has repaid SR 1,023.75 million in current and prior periods.

b The following are the related parties' ending balances:

Related parties	31 March 2020 SR "000" (un-audited)	31 December 2019 SR "000" (audited)
<i>b.1 Amounts due from related parties under current assets:</i>		
Jubail Chevron Phillips Company	527,124	52,238
Saudi Chevron Phillips Company	360,727	184,988
	887,851	237,226
<i>b.2 Amounts due to related parties under current liabilities:</i>		
Saudi Chevron Phillips Company	60,075	65,509
Jubail Chevron Phillips Company	56,567	99,383
Chevron Phillips Chemical International Sales LLC	32,108	41,993
Chevron Phillips Chemicals International Inc	135	-
Chevron Phillips Chemicals Asia PTE Limited	131	-
Chevron Phillips Corporation (Shanghai)	96	-
Aromatics Distribution Company FZCO	51	-
	149,163	206,885

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 periods ended 31 March 2020 and 31 March 2019 of key management of the Group are detailed as follows:

	Three-month period ended 31 March	
	2020 SR "000" (un-audited)	2019 SR "000" (un-audited)
Short-term employees' benefits	5,493	4,574
Terminal benefits	445	1,719
	5,938	6,293

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.

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 March 2020

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 March 2020	31 December 2019
	SR "000"	SR "000"
	(un-audited)	(audited)
Bank balances	1,028,302	2,368,634
Time deposits	1,033,280	1,289,750
	<u>2,061,582</u>	<u>3,658,384</u>

At 31 December 2019, part of the Group's cash and cash equivalents amounted to SR 2,098 million were assigned as security against loan facilities from consortiums of commercial banks and Public Investment Fund ("PIF"), which were settled during the period ended 31 March 2020 (see note 12). Time deposits are placed with local banks in Saudi Riyal, with maturity of 3 months or less and carry commission at commercial rates.

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 March 2020 and 31 December 2019.

12 TERM LOANS

During the period ended 31 March 2020, the Group obtained a term loan amounting to SR 3,000 million 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 June 30 2020, carries an interest rate of Libor plus 0.9% and is secured by a principal note. The portion of term loan payable beyond 31 March 2021 has been reclassified under non-current liabilities. The Group is required to comply with the covenants stipulated in the loan facility agreement.

The term loans obtained from a consortium of local and foreign commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF), which were secured by various guarantees including pledges over the equipment and bank accounts of the Group, has been settled during the period ended 31 March 2020.

13 ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2020	31 December 2019
	SR "000"	SR "000"
	(un-audited)	(audited)
Accrued expenses	285,047	269,848
Advances from customers	53,841	29,029
Other payables	57,602	65,427
	<u>396,490</u>	<u>364,304</u>

14 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 GAZT for all years up to 31 December 2006 on standalone basis. 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.

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 March 2020

14 ZAKAT AND INCOME TAX PROVISIONS (continued)

Status of assessments (continued)

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 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:

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 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.

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 2019. The assessment for the period ended 31 December 2008 has been finalised with GAZT with nil liability. The assessments for the years from 2009 through 2019 have not yet been raised by 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 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.

15 CAPITAL COMMITMENTS

At 31 March 2020, the Group has authorised future capital expenditure amounting to SR 79.8 million (31 December 2019: SR 83 million) in connection with plant activities.

16 CONTINGENCIES

During 2010, the Company and the non-controlling partner in Saudi Polymers Company (a consolidated subsidiary) resolved to increase the capital of Saudi Polymers Company by SR 3,394 million, which will cause the non-controlling partner to incur additional costs; the management of the 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. During the year ended 31 December 2019, the partners of SPCO (the subsidiary and the non-controlling) have resolved to decrease the share capital of SPCO with the same amount. The legal process for the reduction in capital has not been completed till the period end.

At 31 March 2020, the Group's bankers has issued guarantees, on behalf of the Group, amounting to SR 459 million (31 December 2019: SR 459 million) relating to uplift of feedstock for plant from a supplier and zakat appeals.

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 March 2020

17 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:

	Three-month period ended 31	
	March	
	2020	2019
	(un-audited)	(un-audited)
	%	%
Domestic/Middle East	27	21
Asia	49	55
Europe/Africa	24	24
	100	100

18 SIGNIFICANT MATTERS DURING THE PERIOD AND THE RELATED FINANCIAL AND OPERATIONAL RISKS

The outbreak of novel coronavirus (COVID-19) continues to progress and evolve. The outbreak of COVID-19 has had an impact on demand for oil and petroleum products. Recent global developments in March 2020 have caused further volatility in commodity markets. It is challenging now, to predict the full extent and duration of its business and economic impact.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these interim condensed consolidated financial statements. These developments could impact the Group's future financial results, cash flows and financial condition.

Risk Factors

The Group's operations, cash flows and financial condition could be negatively affected due to the following:

- If employees are quarantined as the result of exposure to COVID 19, this could result in disruption of operations, supply chain delays, trade restrictions and impact on economic activity.
- Similarly, travel restrictions or operational issues resulting from the rapid spread of COVID 19 in a part of the world in which the Group have significant operations may have a material adverse effect on the Group's business and results of operations.
- Continued decline in oil prices could have an economic impact, in the primary economies in which the Group operate in.

19 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since period ended 31 March 2020 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.