

Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2021

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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كي بي إم جي للاستشارات المهنية

الطابق الأول، برج بالطيور
طريق الملك سعود ، الصفا
ص.ب ٤٨٠٣
الخبير ٣١٩٥٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي الرياض

Independent Auditor's Report

To the Shareholders of Sahara International Petrochemical Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

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

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.



Independent auditor's report

To the Shareholders of Sahara International Petrochemical Company (A Saudi Joint Stock Company)
(Continued)

Key audit matter (continued)

Impairment assessment of Goodwill

See Note 13 to the consolidated financial statements.

The key audit matter

On 16 May 2019, the Group acquired 100% of the shares in Sahara Petrochemicals Company ("Sahara") for a consideration of SR 7,839 million.

As a result of the acquisition, Goodwill amounting to SR 601 million, was recognized by management at a reporting unit level and is allocated to certain Cash Generating Units ("CGUs") of Sahara.

Management carried out an impairment analysis in respect of Goodwill allocated to different CGUs. The recoverable amount was determined based on the value in use calculated using a discounted cash flow model, which utilized the most recent business plan prepared by Management.

Due to the significant value, judgements and nature of estimates involved in assessing the impairment of Goodwill, we considered this as a key audit matter.

How the matter was addressed in our audit

We performed the following procedures in relation to the impairment assessment of Goodwill:

- Assessed the methodology adopted by management in its impairment assessment of Goodwill with reference to the requirements of IAS 36. We also tested the arithmetical accuracy of the model used;
- Evaluated the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Group and the industry;
- Engaged our internal valuation specialist to assist in evaluating the appropriateness of significant assumptions, such as growth rates, cost of capital and terminal values;
- Performed a sensitivity analysis, which included assessing the effect of reasonably possible changes in certain variables to evaluate the impact on the cash flow forecasts for CGUs; and
- Evaluated the adequacy of the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.



Independent auditor's report

To the Shareholders of Sahara International Petrochemical Company (A Saudi Joint Stock Company) (Continued)

Key audit matter (continued)

Revenue recognition

See Note 27 to the consolidated financial statements.

The key audit matter

Revenue is a key financial statement caption and performance matrix. Further, revenue for major products is recognized on provisional prices which are subject to change in a volatile economic environment.

Considering the above factors coupled with fraud risk associated with revenue recognition, we have considered this as a key audit matter.

How the matter was addressed in our audit

We performed the following procedures to address the key audit matter:

- Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;
- Tested relevant processes and controls established by management to ensure appropriate recognition of revenue;
- Performed tests of details on a sample of sales transactions and vouched back to source documents.
- Evaluated the appropriateness of provisional price adjustments for the unsold products with marketers as at the end of the year;
- Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases.
- Tested a sample of journal entries of accounts relating to significant risk areas and compared them to the supporting documents.
- Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period.
- Evaluated the adequacy of the consolidated financial statement disclosures related to revenue.



Independent auditor's report

To the Shareholders of Sahara International Petrochemical Company (A Saudi Joint Stock Company) (Continued)

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and 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, 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 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 judgement 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.

Independent auditor's report

To the Shareholders of Sahara International Petrochemical Company (A Saudi Joint Stock Company) (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

KPMG Professional Services



Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 28 February 2022

Corresponding to: 27 Rajab 1443H

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	<u>Notes</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant and equipment	6	12,218,031	13,015,719
Right-of-use assets	7.1	120,128	61,143
Intangible assets	8	606,185	379,388
Goodwill	13	630,483	630,483
Investments in a joint venture and associates	9	3,963,423	3,493,314
Long term investments	10	251,896	260,622
Deferred tax assets	11	2,177	4,970
Long term prepaid employees' benefits	12	728,614	942,796
Other non-current assets		37,583	3,349
Total non-current assets		18,558,520	18,791,784
<u>Current assets</u>			
Inventories	14	1,145,427	907,526
Trade receivables	15	1,862,415	1,060,918
Prepayments and other current assets	16	227,367	189,867
Short term investments	19	20,223	318,115
Cash and cash equivalents	17	2,690,390	2,496,871
Total current assets		5,945,822	4,973,297
Total assets		24,504,342	23,765,081
<u>Equity and Liabilities</u>			
Share capital	18	7,333,333	7,333,333
Share premium		4,134,529	4,145,053
Treasury shares		(67,949)	(59,990)
Statutory reserve	18	1,612,121	1,252,936
Other reserves	18	(440,866)	(82,178)
Retained earnings		2,013,981	397,522
Equity attributable to the owners of the Company		14,585,149	12,986,676
Non-controlling interests	5	1,110,469	849,200
Total equity		15,695,618	13,835,876
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Long term bank loans and borrowings	19	4,721,472	5,339,916
Long term advances from non-controlling shareholders	19	54,802	53,326
Contractual liabilities	20	170,614	149,500
Lease liabilities	7.2	154,157	63,275
Employees' benefits	21	574,097	661,191
Deferred tax liabilities	11	55,417	49,400
Decommissioning liability	22	133,408	138,945
Other non-current liabilities		8,556	8,556
Total non-current liabilities		5,872,523	6,464,109

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2021	31 December 2020
<u>Current liabilities</u>			
Sukuk		-	987,773
Current portion of long term bank loans and borrowings	19	582,820	1,078,011
Short term loan	19	70,000	-
Current portion of contractual liabilities	20	9,686	14,746
Current portion of lease liabilities	7.2	10,744	3,898
Trade and other payables	24	312,333	226,848
Accrued expenses and other current liabilities	25	1,387,741	927,095
Zakat and income tax payable	26	562,877	219,845
Derivative financial instruments	23	-	6,880
Total current liabilities		2,936,201	3,465,096
Total liabilities		8,808,724	9,929,205
Total equity and liabilities		24,504,342	23,765,081

The consolidated financial statements appearing on pages 6 to 72 were approved by the Board of Directors of the Company on 23 Rajab, 1443H (corresponding to 24 February 2022G) and have been signed on their behalf by:


Khalid Abdullah Al-Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 13 to 72 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2021	31 December 2020
Revenue	27	9,981,729	5,323,023
Cost of sales		(4,401,927)	(4,150,080)
Gross profit		5,579,802	1,172,943
Selling and distribution expenses	28	(452,491)	(394,617)
General and administrative expenses	29	(662,982)	(418,694)
Operating profit		4,464,329	359,632
Share of profit/(loss) from a joint venture and associates	9	530,802	(33,757)
Finance income		29,647	26,108
Finance cost	30	(318,807)	(293,502)
Other expenses and income, net	31	(298,232)	126,494
Profit before Zakat and income tax		4,407,739	184,975
Zakat and income tax expense	26	(449,724)	(127,802)
Profit for the year		3,958,015	57,173
Profit/(loss) attributable to:			
Equity holders of the Company		3,591,844	175,863
Non-controlling interests		366,171	(118,690)
Profit for the year		3,958,015	57,173
Earnings per share:			
Basic and diluted earnings per share attributable to the equity holders of the Company presented in Saudi Riyals	32	4.94	0.24


Khalid Abdullah Al- Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulaijan
Vice President, Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	<u>Notes</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Profit for the year		3,958,015	57,173
Other comprehensive income			
<i>Items that will be reclassified to income statement in subsequent periods:</i>			
Exchange difference on translation of foreign operations		(387)	108
Changes in the fair value of derivative financial instruments designated as hedge		6,880	3,688
Net total other comprehensive income/(loss) items that will be reclassified to income statement in subsequent periods		6,493	3,796
<i>Items that will not be reclassified to income statement in subsequent periods:</i>			
Re-measurement gains/(losses) on defined benefit plan	21	43,610	(81,600)
Share of re-measurement gains/(losses) on defined benefit plan from a joint venture and associates	21	2,717	(58)
Changes in the fair value of financial assets at fair value through other comprehensive income		355	8,587
Net total other comprehensive income/(loss) items that will not be reclassified to income statement in subsequent periods		46,682	(73,071)
Total other comprehensive income/(loss) for the year		53,175	(69,275)
Total comprehensive income/(loss) for the year		4,011,190	(12,102)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		3,643,748	108,414
Non-controlling interests	5	367,442	(120,516)
Total comprehensive income/(loss) for the year		4,011,190	(12,102)


Khalid Abdullah Al- Zamil
Chairman of the Board


Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulaijan
Vice President, Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

Equity attributable to the owners of the Company

	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves		Retained earnings	Total	Non-controlling interest		Total
					(note 18)	(note 18)			Total	Total	
As at 1 January, 2021	7,333,333	4,145,053	(59,990)	1,252,936	(82,178)	-	397,522	12,986,676	849,200	-	13,835,876
Profit for the year	-	-	-	-	-	51,904	3,591,844	3,591,844	366,171	-	3,958,015
Other comprehensive income	-	-	-	-	-	-	-	-	1,271	-	53,175
Total comprehensive income	-	-	-	-	-	51,904	3,591,844	3,643,748	367,442	-	4,011,190
Transfer to retained earnings	-	-	-	-	(19,915)	-	19,915	-	-	-	-
Additional contribution from NCI	-	-	-	-	(392,388)	-	-	(392,388)	-	30,930	30,930
Purchase of non-controlling interest	-	-	-	-	1,711	-	-	1,711	-	165,976	(226,412)
Net change in other reserves	-	(10,524)	(7,959)	-	-	-	-	(18,483)	-	-	1,711
Repurchase of treasury shares	-	-	-	-	-	-	(359,185)	-	-	-	(18,483)
Transfer to statutory reserve	-	-	-	359,185	-	-	(359,185)	-	-	-	-
Dividends	-	-	-	-	-	-	(1,636,115)	(1,636,115)	(303,079)	-	(1,939,194)
As at 31 December 2021	7,333,333	4,134,529	(67,949)	1,612,121	(440,866)	-	2,013,981	14,585,149	1,110,469	(303,079)	15,695,618

Equity attributable to the owners of the Company

	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves		Retained earnings	Total	Non-controlling interest		Total
					(note 18)	(note 18)			Total	Total	
As at 1 January 2020	7,333,333	4,172,667	(2,062)	1,235,350	(433)	-	603,326	13,342,181	995,819	-	14,338,000
Profit for the year	-	-	-	-	-	(67,449)	175,863	175,863	(118,690)	-	57,173
Other comprehensive loss	-	-	-	-	-	(67,449)	-	(67,449)	(1,826)	-	(69,275)
Total comprehensive (loss)/income	-	-	-	-	-	(67,449)	175,863	108,414	(120,516)	-	(12,102)
Purchase of non-controlling interest	-	-	-	-	(14,102)	-	-	(14,102)	18,500	-	4,398
Additional contribution from NCI	-	-	-	-	-	-	-	-	4,600	-	4,600
Net change in other reserves	-	(27,614)	(57,928)	-	(194)	-	-	(194)	-	-	(194)
Repurchase of treasury shares	-	-	-	17,586	-	-	(17,586)	-	-	-	(85,542)
Transfer to statutory reserve	-	-	-	-	-	-	(364,081)	(364,081)	(49,203)	-	(413,284)
Dividends	-	-	-	-	-	-	397,522	397,522	849,200	-	1,336,722
As at 31 December 2020	7,333,333	4,145,053	(59,990)	1,252,936	(82,178)	-	397,522	12,986,676	849,200	(49,203)	13,835,876

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khair Al-Dulajjan
Vice President Finance


The accompanying notes 1 through 38 appearing on pages 13 to 72 form an integral part of these consolidated financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	31 December 2021	31 December 2020
Cash flow from operating activities			
Profit before Zakat and income tax for the year		4,407,739	184,975
<i>Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flows:</i>			
Depreciation of property, plant and equipment	6	775,227	869,024
Depreciation of right-of-use assets	7	7,479	4,389
Impairment loss	31	260,000	280,000
Amortization of intangible assets and deferred costs	8,12	230,439	73,164
Amortization of contractual liabilities		(14,746)	(14,746)
Provision for contract liabilities		30,800	-
Gain on sale of precious metals	31	(14,247)	(321,515)
Share of (profit)/loss from a joint venture and associates	9	(530,802)	33,757
Provision for employees' benefits	21	74,015	72,828
Loss on property, plant and equipment - written off		3,678	46,198
Gain on settlement of employees' end of service benefits		-	(22,182)
Provision for slow moving stores and spares	14	1,737	16,747
Inventories - written off	14	-	7,477
Provision recognized expected credit losses	15	4,767	-
Net foreign exchange difference		(1,306)	(291)
Finance income		(29,647)	(26,108)
Finance cost		318,807	293,502
		<u>5,523,940</u>	<u>1,497,219</u>
Changes in:			
Trade receivables		(806,264)	(218,560)
Inventories		(239,638)	25,717
Prepayments and other current assets		(36,402)	(39,298)
Accrued expenses, trade and other payables		523,227	344,287
Deductions under home ownership program	12	164,397	65,171
Cash generated from operating activities		<u>5,129,260</u>	<u>1,674,536</u>
Employee benefits paid		(133,642)	(5,611)
Zakat and income tax paid	26	(97,882)	(58,604)
Net cash generated from operating activities		<u>4,897,736</u>	<u>1,610,321</u>
Cash flow from investing activities			
Additions to property, plant and equipment	6	(377,442)	(508,340)
Additions to intangibles	8	(290,377)	(7,367)
Additions to long term prepaid employees' benefits	12	(11,471)	(7,127)
Movement in long and short term investments		316,748	3,008
Finance income received		20,484	30,348
Sale proceeds from sale of precious metals		18,900	507,779
Dividend received from a joint venture and associates	9	63,410	32,550
Net cash (used in)/generated from investing activities		<u>(259,748)</u>	<u>50,851</u>

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	<u>31 December 2021</u>	<u>31 December 2020</u>
Cash flow from financing activities		
Proceeds from long and short term loans and borrowings	1,839,148	1,575,000
Repayment of long and short term loans and borrowings	(3,900,597)	(1,698,464)
Net change in advances from non-controlling shareholders	1,476	(42,648)
Movement in treasury shares	(7,959)	(85,542)
Movement in share premium	(10,524)	-
Dividend paid to shareholders	(1,636,115)	(364,081)
Purchase of shares from non-controlling interest	(226,412)	-
Dividend paid to non-controlling shareholders	(303,079)	(49,203)
Movement in non-controlling shareholders	30,930	4,600
Interest paid	(225,430)	(289,445)
Payment of lease liabilities	7.4 (6,826)	(6,194)
Net cash used in financing activities	(4,445,388)	(955,977)
Net change in cash and cash equivalents	192,600	705,195
Cash and cash equivalents at 1 January	2,496,871	1,791,277
Effect of exchange rate fluctuations	919	399
Cash and cash equivalents at 31 December	2,690,390	2,496,871


Khalid Abdullah Al-Zamil
Chairman of the Board


Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 13 to 72 form an integral part of these consolidated financial statements.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
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1. CORPORATE INFORMATION

Sahara International Petrochemical Company "Sipchem" or "the Company", (formerly Saudi International Petrochemical Company), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G.

The Company's head office is in the city of Riyadh with a branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G, and another branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I, 1427H, corresponding to 1 June 2006G.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. The Company incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

Economic environment and its effects on business:

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community. During FY 2021, Sipchem is recovering well from these impacts and the future outlook looks very promising in relation to sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem has also taken required measures during FY2020 and FY 2021 as well to counter the impact and to minimize challenges from COVID-19 coronavirus outbreak.

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1. CORPORATE INFORMATION (continued)

As of 31 December, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

Subsidiaries	Effective ownership percentage at 31 December	
	2021	2020
Sahara Petrochemicals Company ("Sahara")	100%	100%
International Methanol Company ("IMC")	65%	65%
International Diol Company ("IDC")	100%	53.91%
International Acetyl Company ("IAC")	97%	89.52%
International Vinyl Acetate Company ("IVC")	97%	89.52%
International Gases Company ("IGC")	97%	97%
Sipchem Marketing Company ("SMC")	100%	100%
Sahara Marketing Company ("SaMC")	100%	100%
International Utility Company ("IUC")	91.20%	78.19%
International Polymers Company ("IPC")	75%	75%
Sipchem Chemical Company ("SCC")	100%	100%
Sipchem Europe Cooperative U.A	100%	100%
Sipchem Europe B.V.	100%	100%
Sipchem Europe SA (Formerly Aectra SA)	100%	100%
Gulf Advance Cable Insulation Company ("GACI")	50%	50%
Saudi Specialized Products Company ("SSPC")	100%	75%
Sipchem Asia PTE Ltd. (1.2)	100%	100%
Saudi Advanced Technologies Company ("SAT") (1.3)	100%	100%

The principal activity of Sahara is investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006. During 2021, Sipchem ownership in IDC has been increased from 53.91% to 100%, by purchasing the interest from non-controlling shareholders.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial operations in 2010. In 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances, as a result, the Group's effective percentage of interest in both the companies increased by 2.52%. In 2016, the Group acquired an additional 11% shares from a minority shareholder in each of IAC and IVC, increasing its effective ownership from 78.52% to 89.52%. During 2021, Sipchem acquired additional shares from a minority shareholder in each of IAC and IVC which increased Sipchem's ownership to 97%.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in June 2010.

The principal activities of SMC and SaMC are to provide marketing services for the products manufactured by the Group Companies and other petrochemical products.

The principal activity of IUC is to provide industrial utilities to the Group companies.

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations in 2015.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced its commercial operations in 2018.

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1. CORPORATE INFORMATION (continued)

The principal activities of Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA are to provide marketing and distribution services of petrochemical products of the Company.

The principal activity of Sipchem Asia pte Ltd is to act as a marketing agent and coordinator for sales of the Company's products.

The principal activity of GACI is the manufacture and sale of cross-linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations in 2015.

The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. Tool Manufacturing facility commenced commercial operations in 2016. The EVA film plant has commenced commercial operations in 2019. During 2021, Sipchem ownership in SSPC has been increased from 75% to 100% by purchasing the interest from non-controlling shareholders.

1.1. The Group has only a 50% share in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.

1.2. The investee company was incorporated in 2013 in Singapore. Its Articles of Association is dated 13 Jumada Al-Awal, 1434H, corresponding to 25 March 2013. The principal activity of the Company is to provide marketing services for the products manufactured by the Group.

1.3. The principal activity of SAT is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant has started commercial operations in 2016 and was transferred from SSPC to SAT in 2020.

1.4. Joint operation

The Company, through its subsidiary Sahara, holds 75% equity interest in Al-Waha Petrochemicals Company ("Al-Waha"), a Joint operation which is primarily involved in manufacturing of Polypropylene.

1.5. Equity accounted investees

The Company, through its subsidiary Sahara, holds 50% equity interest in Sahara and Ma'aden Petrochemicals Company ("SAMAPCO"), a Joint Venture which is primarily involved in manufacturing of Caustic Soda and Ethyl di-Chloride.

The Company, through its subsidiary Sahara, also holds equity interests in following associates which are primarily involved in manufacturing of petrochemical products:

	Effective ownership percentage at 31 December	
	2021	2020
Tasnee and Sahara Olefins Company ("TSOC")	32.55%	32.55%
Saudi Acrylic Acid Company ("SAAC")	43.16%	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	30.00%	30.00%

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants - SOCPA ("IFRSs").

These consolidated financial statements have been prepared on a historical cost basis, using accrual basis of accounting except for the following material items in the consolidated statement of financial position:

- Investment in certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method;
- Derivative financial instruments that are measured at fair value.

The consolidated financial statements are presented in Saudi Riyals (SR) and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2. Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries (Note 1) as at 31 December 2021. 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
- 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group 's voting rights and potential voting rights

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 (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of consolidation (continued)

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 interest
- 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 income statement
- Reclassifies the group'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.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2.3. Summary of significant accounting policies

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

a) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the date of acquisition, and amount of any non-controlling interest in the acquiree. Transaction costs are expensed as incurred during the year and included in the general and administrative expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired in excess of the aggregate consideration transferred, the group re-assess whether it has correctly identified all of the assets acquired and all the liabilities assumed and review the procedures used to measure the amounts to be recognised at the business combination date. If the re-assessment still results in a excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing of goodwill acquired in the business combination, it is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in consolidated income statement immediately.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

a) Business combination (Continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

The gains or losses resulting from sale of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary are booked in the reserve for the results of sale / purchase of shares in subsidiaries.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangements, have right to the assets and obligations for the liabilities relating to the arrangement. The Group has taken its share of assets and liabilities in the joint operation.

b) Investment in joint ventures and associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associates and a joint venture are accounted for using the equity method.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition change in the Group's share of the investee's net assets. Group recognise share of profits or losses of the investee in its consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Upon loss of significant influence over the associates or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

b) Investment in joint ventures and associates (Continued)

Goodwill

On acquisition of the investment, any difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
- Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

c) Current and non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

d) Fair value measurement (continued)

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, whenever required. The involvement of external valuer is decided by the Group after discussion and approval by the Company's Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

e) Revenue from contracts with customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time. The Group recognizes revenue in respect of amounts to which it has a right to invoice.

Sale of goods

i) Direct sales - Marketers/ Off-takers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to marketers/off-takers and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Marketers/off-takers obtain control of the products when the goods are delivered or shipped to them (i.e. at the time of placing the goods on the vessels) and they have accepted the goods by signing the bill of lading. Invoice are generated at that point in time. Invoices are usually payable within 90 days. Discounts are provided to the marketers/off-takers based on mutual agreed terms. The portion of sales made through marketers/off-takers are recorded at provisional prices agreed with such marketers/off-takers at the time of shipment of goods, which are later adjusted based on actual selling prices received by the marketers/off-takers from their final customers, after deducting the costs of shipping and distribution (settlement price). The Group estimates the variable consideration as the most likely amount based on available market information and recently published prices of petrochemical products. The Group includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the relevant variable consideration is subsequently resolved.

ii) Direct sales - Final customers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Sales are made directly to the final customers. Sipchem, SaMC, SMC and SMC affiliates provide trading activities of petrochemical products for Sipchem affiliates and third party entities. For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acting as principal, records the sale on a gross basis, while net accounting is followed where it acts as an agent.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

e) Revenue from contract with customers (continued)

Furthermore, in case of consignment sales by SMC, the Group recognizes revenue when the final customer obtains the control of the products delivered to them (i.e. when the customer actually acquires the product possession).

iii) Sale of specific product

The Group has determined that for these type of products, the customers control all of the work in progress as the products are being manufactured. This is because under those contracts, products are made to a customer's specifications and if a contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

Invoices are issued according to contractual terms and are payable as per payment terms agreed with the customers. Uninvoiced amounts are presented as contract assets.

Revenue and associated costs are recognised over time - i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For the current year ended, the Group has no contract for rendering of services.

f) Other income

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in income statement.

Any other income is recognized when the realization of income is virtually certain.

g) Foreign currency transactions

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

g) Foreign currency transactions (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies - Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at average exchange rates. The exchange differences arising on the translation are recognized in OCI and accumulated in foreign currency translation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the income statement. Components of shareholders equity are translated at the exchange rates in effect at the dates the related items originated.

h) Property, plant and equipment

Property, plant and equipment are initially recorded at cost net of accumulated depreciation and accumulated impairment losses. Construction work in progress are not depreciated. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Repair and maintenance is charged to income statement. Plant and machinery include planned turnaround costs which are 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, then the net book value of planned turnaround costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Class of assets	No of Years
- Buildings and land improvements	10 - 33.33
- Plant and machinery	1.5 - 30
- Computers	4
- Furniture and fixtures	2 - 10
- Office equipment	2 - 20
- Vehicles	4
- Catalysts and tools	2 - 10
- Capital spares	2 - 20

An item of property, plant and equipment (PPE) is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs are not capitalized and expenditure is recognized in the income statement when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software license & project related cost	Deferred costs	Right to use	Customer contract
Useful lives	Up to 10 years	10 - 15 years	12 - 16 years	30 years
Amortisation method used	Amortised on a straight-line basis over the useful life	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Internally generated/acquired	Acquired	Acquired

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments. The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a lessor

The Group has no material lease contract as a lessor.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI ("FVOCI"); or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) Financial assets - Business model and assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

iv) *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 2.3. l) (ix) for derivatives designated as hedging instruments.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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Financial assets at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.
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vi) *Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. see Note 2.3. l) (ix) for financial liabilities designated as hedging instruments.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

vii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ix) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

m) Impairment

i) Financial instruments and contract assets

The Group recognises loss allowances for Expected credit losses "ECL" on financial assets measured at amortised cost.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

i) *Financial instruments and contract assets (continued)*

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ii) *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of the customers on due dates.

iii) *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iv) *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is no longer recoverable based on historical experience of recoveries of similar assets. For off-takers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

v) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

The following specific criteria are also applied in assessing impairment of specific asset:

Goodwill

Goodwill is tested for impairment annually as at each year-end. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

n) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of spare parts, finished goods and raw materials are arrived at using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

o) Cash and cash equivalent

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value.

p) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

q) Cash dividends to owners of equity

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

r) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

s) Zakat and income tax

The Group is subject to Zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat and income taxes are provided on an accrual basis. The Zakat charge is computed on the higher of Zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The Zakat and income tax charge in the consolidated income statement represents:

- i) the Zakat for the Company and the Company's share of Zakat in subsidiaries and
- ii) the Zakat and income tax assessable on the non-controlling shareholders.

Income tax is provided for in accordance with foreign fiscal regulations in which the Group's foreign subsidiaries operate. Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

s) Zakat and income tax (continued)

Deferred tax (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

t) Employees' end of service benefits

The Group is operating an unfunded end of service defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense

The defined benefit liability comprises the present value of the defined benefit obligation.

u) Employees' home ownership program

The Group has an employees' home ownership programs ("HOP") under which eligible Saudi employees have the opportunity to buy residential units constructed by the Group through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment. Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee subject to certain deductions in case the employee discontinues employment and the house is returned back to the Group.

Costs relating to HOP are recognized as long term prepaid employees benefits at time the residential units are allocated to the employees and are amortized over the period during which employees repay such residential unit costs.

v) Employees' savings plan (thrift plan)

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

w) Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Annual General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

x) Share based payments transactions

Employees of the group receives some remuneration in the form of share based payment, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the services and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service conditions are not taken into account when determining the grant date fair value of awards but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. There are no market and non-vesting market conditions. No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

y) Segment reporting

A business segment is group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components;
- the results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Group's Board of Directors ("BOD") are considered to be the chief operating decision maker. Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 4 to these consolidated financial statements.

z) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

aa) Statutory reserves

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

ab) Short term investments

Short term investments in the statements position are deposits having maturity of more than three months but less than a year from date of placement.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Significant accounting estimates and assumptions

The preparation of the Group's 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 disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. As explained in note 1, Management has assessed the potential impact of COVID-19 pandemic both locally and in the markets in which the Group operates. As a result, the Management of the Group have revised certain estimates related to value in use of Cash Generating Units (CGUs) (Refer Note 6). Further, in line with implementation of certain efficiency enhancement projects completed in September 2020, the management of the Company has reassessed useful economic life of certain plant and machinery, the effect of such a revision in useful economic life is disclosed in note 6.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i. Employees' end of service benefits

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. Age-wise withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on A1949-52 mortality table. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of EOSB Schemes. If any other mortality table is used it will not make any significant difference in the results.

ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and marketing terms forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes.

iii. Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. For the current year ended, the management of the Company has reassessed the life of its certain plant assets and updated the same in line with management's best estimate.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Significant accounting estimates and assumptions (continued)

iv. Provisional price

The Group markets and sells its petrochemical products primarily through distribution platform of various marketers. The portion of sales made through the distribution platforms are initially recorded at provisional estimated prices agreed with marketers at the time of shipment, which requires estimation. These prices are subsequently adjusted based on actual selling prices received by the marketers from their customers after deducting shipping and distribution costs.

v. Decommissioning liability

The Group reviews decommissioning liability provisions along with the interest rate used in discounting the cash flows at each reporting date and adjusts them to reflect the current best estimate. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

vi. Zakat and income tax

The Group is subject to Zakat and income tax in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat and income tax liability.

vii. Impairment of financial assets

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its trade receivable and debt instruments as part of its financial assets, which are carried at amortised cost. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised.

3. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES DUE TO NEW STANDARDS

A. New and Amendments to Existing Standards

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods:

- COVID-19 - Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2021.
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021.

B. New and revised standards issued but not yet effective

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16), effective for annual periods beginning on or after 1 April 2021.
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022.

3. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES DUE TO NEW STANDARDS (CONTINUED)

- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Group.

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4. SEGMENT INFORMATION

The Group has the following operating segments:

- **Basic Chemicals**, which includes Methanol, Butane products and Carbon monoxide.
- **Intermediate chemicals**, which includes Acetic Acid, Vinyl Acetate Monomer, Ethyl Acetate, Butyl Acetate, and utilities.
- **Polymers**, which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products. This segment also includes polypropylene.
- **Trading**, which includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries as defined in Note 1.
- **Corporate and others**, which includes Sipchem, EVA films and Tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in these consolidated financial statements.

Year ended 31 December 2021	Basic Chemicals	Intermediate Chemicals	Polymers	Trading	Corporate and Others	Inter segment transaction elimination	Total
Revenue							
External customers	2,843,304	2,827,441	3,624,131	670,326	16,527	-	9,981,729
Inter-segment	421,319	1,456,561	27,196	6,766,112	-	(8,671,188)	-
Total revenue	3,264,623	4,284,002	3,651,327	7,436,438	16,527	(8,671,188)	9,981,729
Gross profit/(loss)	2,104,460	1,685,050	1,555,415	337,014	(20,005)	(82,132)	5,579,802
Operating profit/(loss)	1,765,295	1,388,935	1,204,276	269,036	(141,247)	(21,966)	4,464,329
Share of profit from associates and joint ventures	-	-	-	-	530,802	-	530,802
Profit/(loss) before Zakat and tax	1,697,279	1,256,767	831,098	267,585	738,362	(383,352)	4,407,739
Total assets	3,838,652	5,955,119	7,275,153	2,060,727	26,706,479	(21,331,788)	24,504,342
Total liabilities	1,895,142	1,895,612	3,050,584	1,651,673	4,787,125	(4,471,412)	8,808,724
Capital expenditure	80,171	224,068	119,329	84,477	247,465	-	755,510
Year ended 31 December 2020							
	Basic Chemicals	Intermediate Chemicals	Polymers	Trading	Corporate and Others	Inter segment transaction elimination	Total
Revenue							
External customers	1,222,049	1,290,958	2,271,925	488,608	49,483	-	5,323,023
Inter-segment	469,539	940,996	62,313	3,174,927	-	(4,647,775)	-
Total revenue	1,691,588	2,231,954	2,334,238	3,663,535	49,483	(4,647,775)	5,323,023
Gross profit/(loss)	617,966	(72,126)	455,186	153,649	(6,426)	24,694	1,172,943
Operating profit/(loss)	348,564	(306,682)	237,034	101,458	(71,721)	50,979	359,632
Share of loss from associates and joint venture	-	-	-	-	(33,757)	-	(33,757)
Profit/(loss) before Zakat and tax	207,675	(58,670)	142,872	100,496	(136,614)	(70,784)	184,975
Total assets	3,771,818	5,374,418	7,244,750	1,227,093	25,248,682	(19,101,680)	23,765,081
Total liabilities	2,275,066	2,422,839	3,235,390	823,504	5,247,748	(4,075,342)	9,929,205
Capital expenditure	114,750	133,783	122,463	340	144,132	-	515,468

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4. SEGMENT INFORMATION (continued)

Revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 December 2021	839,198	9,142,531	9,981,729
31 December 2020	748,293	4,574,730	5,323,023

	For the year ended 31 December 2021					
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
<i>Revenue:</i>						
Foreign countries	2,728,524	2,827,441	3,564,127	22,439	-	9,142,531
Saudi Arabia	114,780	-	60,004	647,887	16,527	839,198
Total revenue	2,843,304	2,827,441	3,624,131	670,326	16,527	9,981,729

	For the year ended 31 December 2020					
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
<i>Revenue:</i>						
Foreign countries	1,034,486	1,290,958	2,225,058	24,228	-	4,574,730
Saudi Arabia	187,563	-	46,867	464,380	49,483	748,293
Total revenue	1,222,049	1,290,958	2,271,925	488,608	49,483	5,323,023

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5. NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non- controlling interests:

Subsidiaries	Country of Incorporation	2021	2020
International Methanol Company ("IMC")	KSA	35%	35%
International Acetyl Company ("IAC")	KSA	3%	3%
International Vinyl Acetate Company ("IVC")	KSA	3%	3%
International Gases Company ("IGC")	KSA	3%	3%
International Polymers Company ("IPC")	KSA	25%	25%
Gulf Advance Cable Insulation Company (GACI)	KSA	50%	50%
International Diol Company ("IDC")	KSA	-	46.09%

The summarized information of these subsidiaries is provided below:

Summarized statements of financial positions as at 31 December 2021

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	Total
Current assets	585,709	411,798	915,768	139,196	819,400	29,164	332,352	3,233,387
Non-current assets	1,350,862	2,287,925	1,602,471	959,895	2,298,135	37,278	470,638	9,007,204
Current liabilities	(209,870)	(577,933)	(469,373)	(167,318)	(346,969)	(9,170)	(174,612)	(1,955,245)
Non-current liabilities	(121,632)	(236,990)	(40,532)	(247,770)	(761,937)	(113,524)	(973,939)	(2,496,324)
Equity	1,605,069	1,884,800	2,008,334	684,003	2,008,629	(56,252)	(345,561)	7,789,022
Attributable to:								
Equity holder of parent	1,057,527	1,828,575	1,945,932	659,817	1,562,056	(29,793)	(345,561)	6,678,553
Non-controlling interests	547,542	56,225	62,402	24,186	446,573	(26,459)	-	1,110,469

Summarized statements of financial positions as at 31 December 2020

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	Total
Current assets	409,731	266,027	328,936	180,514	538,190	53,050	183,318	1,959,766
Non-current assets	1,444,919	2,433,280	1,574,251	1,043,759	2,412,969	139,475	509,577	9,558,230
Current liabilities	(145,129)	(401,054)	(312,888)	(94,735)	(388,957)	(96,653)	(426,538)	(1,865,954)
Non-current liabilities	(206,560)	(681,069)	(388,777)	(297,662)	(819,713)	(113,676)	(1,104,442)	(3,611,899)
Equity	1,502,961	1,617,184	1,201,522	831,876	1,742,489	(17,804)	(838,085)	6,040,143
Attributable to:								
Equity holder of parent	977,037	1,444,218	1,076,832	803,405	1,346,882	(10,241)	(447,190)	5,190,943
Non-controlling interests	525,924	172,966	124,690	28,471	395,607	(7,563)	(390,895)	849,200

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5. NON-CONTROLLING INTERESTS (continued)

Summarized statements of comprehensive income for the year ended 31 December 2021

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	SSPC	Total
Revenue	1,318,430	1,308,013	2,260,899	317,349	1,682,703	75,379	1,038,763	-	8,001,536
Profit/(loss) before Zakat and tax	733,869	281,268	864,641	55,956	824,101	(100,767)	507,374	-	3,166,442
Profit/(loss) after Zakat and tax	661,937	267,602	805,668	48,353	766,437	(101,429)	493,262	-	2,941,830
Other comprehensive income	448	-	34	37	196	556	-	-	1,271
Total comprehensive income/(loss)	662,385	267,602	805,702	48,390	766,633	(100,873)	493,262	-	2,943,101
Attributable to:									
Equity holder of parent	461,042	257,690	776,326	46,674	598,313	(51,046)	486,660	-	2,575,659
Non-controlling interests	201,343	9,912	29,376	1,716	168,320	(49,827)	6,602	-	367,442

Summarized statements of comprehensive income for the year ended 31 December 2020

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	SSPC	Total
Revenue	704,811	772,173	886,548	329,252	979,388	105,188	297,673	13,774	4,088,807
Profit/(loss) before Zakat and tax	168,020	3,917	(91,007)	104,749	247,759	(60,853)	(221,901)	(206,697)	(56,013)
Profit/(loss) after Zakat and tax	154,684	(23,629)	(98,365)	103,505	225,911	(60,971)	(221,956)	(208,505)	(129,326)
Other comprehensive (loss)/income	(492)	(402)	(177)	(37)	(182)	112	(597)	(51)	(1,826)
Total comprehensive income/(loss)	154,192	(24,031)	(98,542)	103,468	225,729	(60,859)	(222,553)	(208,556)	(131,152)
Attributable to:									
Equity holder of parent	102,935	(574)	(82,851)	100,362	176,506	(30,545)	(119,639)	(156,830)	(10,636)
Non-controlling interests	51,257	(23,457)	(15,691)	3,106	49,223	(30,314)	(102,914)	(51,726)	(120,516)

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6. PROPERTY, PLANT AND EQUIPMENT

<u>2021</u>	<u>Land, buildings and lease hold improvements</u>	<u>Plant and machinery</u>	<u>Catalyst and tools</u>	<u>Vehicles, computers, furniture, fixture and office equipment</u>	<u>Capital work in progress (CWIP)</u>	<u>Total</u>
Cost:						
At 1 January 2021	1,224,373	19,077,813	819,920	305,816	577,303	22,005,225
Additions, net*	905	48,582	30,941	530	284,594	365,552
Transfers	375	30,587	27,654	-	(58,616)	-
Transfers to intangibles	-	-	-	-	(119,682)	(119,682)
Disposals	(2,333)	(556)	(14,284)	(1,082)	(5,745)	(24,000)
At 31 December 2021	<u>1,223,320</u>	<u>19,156,426</u>	<u>864,231</u>	<u>305,264</u>	<u>677,854</u>	<u>22,227,095</u>
Accumulated depreciation:						
At 1 January 2021	261,658	7,899,198	634,783	193,867	-	8,989,506
Depreciation charge for the year	37,115	654,724	77,265	6,123	-	775,227
Impairment loss	-	260,000	-	-	-	260,000
Disposals	(710)	(239)	(14,284)	(436)	-	(15,669)
At 31 December 2021	<u>298,063</u>	<u>8,813,683</u>	<u>697,764</u>	<u>199,554</u>	<u>-</u>	<u>10,009,064</u>
Carrying amount at 31 December 2021	<u>925,257</u>	<u>10,342,743</u>	<u>166,467</u>	<u>105,710</u>	<u>677,854</u>	<u>12,218,031</u>

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

<u>2020</u>	<u>Land, Buildings and lease hold improvements</u>	<u>Plant and machinery</u>	<u>Catalyst and tools</u>	<u>Vehicles, computers, furniture, fixture and office equipment</u>	<u>Capital work in progress (CWIP)</u>	<u>Total</u>
<u>Cost:</u>						
At 1 January 2020	1,221,555	18,982,580	929,514	303,651	529,997	21,967,297
Additions	1,211	108,451	114,665	2,165	281,849	508,341
Transfers	1,607	146,982	3,563	-	(152,152)	-
Transfer to intangibles	-	-	-	-	(82,161)	(82,161)
Disposal/write off	-	(160,200)	(227,822)	-	(230)	(388,252)
At 31 December 2020	<u>1,224,373</u>	<u>19,077,813</u>	<u>819,920</u>	<u>305,816</u>	<u>577,303</u>	<u>22,005,225</u>
<u>Accumulated depreciation:</u>						
At 1 January 2020	225,500	6,988,269	607,752	174,751	-	7,996,272
Depreciation charge for the year	36,158	745,161	68,589	19,116	-	869,024
Impairment loss	-	280,000	-	-	-	280,000
Disposal/write off	-	(114,232)	(41,558)	-	-	(155,790)
At 31 December 2020	<u>261,658</u>	<u>7,899,198</u>	<u>634,783</u>	<u>193,867</u>	<u>-</u>	<u>8,989,506</u>
Carrying amount at 31 December 2020	<u>962,715</u>	<u>11,178,615</u>	<u>185,137</u>	<u>111,949</u>	<u>577,303</u>	<u>13,015,719</u>

*Addition also includes impact of decommissioning liability due to change in useful life.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1. Capital work in progress

The Group's capital work-in-progress as at 31 December 2021 is SR 677.8 million (2020: SR 577.3 million) comprises mainly of costs related to turnaround and other costs related to several projects for improvements and enhancements of operating plants. During 2021, SR Nil (2020: SR 26.3 million) has been capitalized as borrowing cost which is part of capital work in progress.

6.2. Property, plant and equipment

Certain items of the Group's property, plant and equipment which has carrying amount of SR 5,306.2 million (2020: 6,417.9 SR million) are pledged as security against Saudi Industrial Development Fund Loans and syndicated bank loans and Public Investment Fund loans (note 19).

6.3. Impairment

PBT and GACI

Management of the Group, in line with its strategy of improving profitability and efficiency of operations, and ensuring the best level of liquidity and stability, decided to do mothball operations of PBT and GACI CGUs. Consequently, recoverable amount of the PBT were estimated based on value-in-use calculations where management has anticipated the resumption of the operations by 2025 based on available information. As a result of the exercise, the Group determined that the recoverable amount of PBT was less than its carrying amount. Therefore, an additional impairment loss of SR 160 million was recognized in 2021 financial results in PBT. This is in addition to impairment loss of SR 150 million in PBT previously recognized in the 2019 annual financial results and SR 300 million in PBT recognised in 2016 financial results. The carrying amount of the PBT plant is SR 71 million as at 31 December 2021. Furthermore, an impairment loss of SR 100 million recognized for GACI during the year. No impairment has been recorded previously with respect to GACI plant. The carrying amount of GACI plant is SR 24 million as at 31 December 2021. Following the impairment loss recognized in GACI and PBT, the recoverable amount was equal to its carrying amount"

IDC

During 2020, following COVID-19 outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects. Given the significant impact of COVID-19 on economic outlook management re-assessed the recoverable amount of IDC CGU and recognized additional impairment loss of SR 100 million. During the year, management has reassessed the performance of the CGU and concluded that no further impairment is required to be recognized. During 2019 and 2016 the Company recognized impairment loss of SR 256 million and SR 400 million related to such CGU.

EVA film business unit

In December 2020, the Group announced its plan to mothball EVA films business unit owned by SSPC (75%-owned subsidiary). The Group consequently measured the recoverable amount of EVA film assets and, as the recoverable amounts were determined to be less than the carrying amounts, an impairment loss of SR 180 million was recognized in the 2020 financial results. Following the impairment loss recognized in EVA films, the recoverable amount was equal to the carrying amount.

The key assumptions used in the estimation of value in use were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	10%	10%
Terminal Value growth rate	2%	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2026 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's PBT CGU, the recoverable amount was equal to the carrying amount. Furthermore, other CGUs were analyzed by the management considering current situation and recessionary outlook and there is no impairment on other CGUs.

6.4. Assets written off

During 2020, Al Waha Petrochemicals Company carried out a major overhaul of the plant. Accordingly, old turnaround cost amounting to SR 35.8 million were written off during 2020. Furthermore, certain assets mainly related to IDC, IAC and IVC plants having a carrying amount of SR Nil (2020: SR 9.9 million) were written off during the year.

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7. LEASES

The Group leases several land and vehicles. The lease period ranges from 3 to 30 years with an option to renew the lease after that date. Property, plant and equipment of the Group are constructed on land leased by the Group from the Royal Commission for Jubail and Yanbu. The land lease term is for an initial period of 30 years which commenced in 2002 and is renewable by mutual agreement of the parties. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

The Group leases IT equipment with contract terms of one to three years. These leases are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

7.1. Right-of-use assets

The movement in right-of-use assets at 31 December is as follows:

	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
Balance as at 1 January 2021	58,125	3,018	61,143
Depreciation charge for the year	(5,650)	(1,829)	(7,479)
Additions during the year	39,039	101	39,140
Modification during the year*	27,324	-	27,324
Balance as at 31 December 2021	118,838	1,290	120,128
	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
Balance as at 1 January 2020	64,421	3,187	67,608
Depreciation charge for the year	(3,051)	(1,338)	(4,389)
Addition during the year	-	1,169	1,169
Modification during the year	(3,245)	-	(3,245)
Balance as at 31 December 2020	58,125	3,018	61,143

7.2. Lease liabilities

	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
Current portion	9,497	1,247	10,744
Non-current portion	153,213	944	154,157
Balance as at 31 December 2021	162,710	2,191	164,901
	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
Current portion	2,528	1,370	3,898
Non-current portion	61,802	1,473	63,275
Balance as at 31 December 2020	64,330	2,843	67,173

*Modification represents increase/modification of rentals related to industrial land lease by Royal commission.

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7. LEASES (continued)

7.3. Amounts recognized in income statement

Leases under IFRS 16	2021	2020
Depreciation charge for the year	7,479	4,389
Interest on lease liabilities	4,797	2,412
	12,276	6,801

7.4. Amounts recognized in statement of cash flow

	2021	2020
Payment of lease liabilities	6,826	6,194
	6,826	6,194

7.5. Leases as lessor

The Group has no material lease contract as a lessor.

8. INTANGIBLE ASSETS

	Computer Software	Deferred costs	Rights	Customer contracts	Total
Costs:					
Balance as at 1 January 2021	220,888	86,503	374,549	6,750	688,690
Additions	5,377	-	285,000	-	290,377
Transfers (note 6)	119,682	-	-	-	119,682
Balance as at 31 December 2021	345,947	86,503	659,549	6,750	1,098,749
Accumulated amortization:					
Balance as at 1 January 2021	179,797	63,456	65,692	357	309,302
Amortization	153,339	3,168	26,530	225	183,262
Balance as at 31 December 2021	333,136	66,624	92,222	582	492,564
Carrying amount at 31 December 2021	12,811	19,879	567,327	6,168	606,185
	Computer Software	Deferred costs	Rights	Customer contract	Total
Costs:					
Balance as at 1 January 2020	209,488	81,723	301,201	6,750	599,162
Additions	2,587	4,780	-	-	7,367
Transfers (note 6)	8,813	-	73,348	-	82,161
Balance as at 31 December 2020	220,888	86,503	374,549	6,750	688,690
Accumulated amortization:					
Balance as at 1 January 2020	160,040	60,390	44,487	132	265,049
Amortization	19,757	3,066	21,205	225	44,253
Balance as at 31 December 2020	179,797	63,456	65,692	357	309,302
Carrying amount at 31 December 2020	41,091	23,047	308,857	6,393	379,388

Computer software mainly includes SAP and other programs which management has capitalized and amortization is calculated on 5 -10 years of useful life.

Deferred cost mainly includes costs related to Sipchem Total Optimization Project, and consideration paid to Tasnee for future price reduction. Amortization is calculated on 10 - 15 years of useful life.

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8. INTANGIBLE ASSETS (continued)

Rights mainly represent the costs incurred by the Group on one of the plants of a supplier in accordance with a tolling agreement, giving the Group a right to a fraction of the output produced by the plant. The risk and rewards of the plant and the related ownership is with the supplier. Amortization is calculated on 16 years of useful life. Rights also includes costs incurred by the Group in order to acquire the rights to feedstock supply and marketing arrangements agreement with the supplier. Amortization is calculated on 12 years based on the inflow of economic benefits to Sipchem and based on the nature of the rights of feedstock supply and marketing rights.

Customer contract relates to a beneficial long-term agreement to off-take a significant amount of polypropylene production. The Group acquired this contract as a result of business combination. The asset is amortized over 30 years.

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Notes	2021	2020
Investment in a joint venture	9.1	280,998	120,628
Investment in associates	9.2	3,682,425	3,372,686
		3,963,423	3,493,314

9.1. Investment in a Joint Venture (JV)

	Notes	2021	2020
Investment in a JV	9.1.1	280,998	120,628
		280,998	120,628

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO)

The Group has a 50% interest in SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic soda, Chlorine and Ethyl Dichloride. The Group's interest in SAMAPCO is accounted for using the equity method in these consolidated financial statements.

The tables below provide summarised financial information for SAMAPCO. The information disclosed reflects the amounts presented in the financial statements of SAMAPCO and not the Group's share of those amounts.

	2021	2020
Non-current assets	2,267,675	2,334,972
Current assets	651,739	380,297
Non-current liabilities	(2,080,987)	(2,137,209)
Current liabilities	(278,109)	(337,907)
Net assets	560,318	240,153

Reconciliation to carrying amount:

	2021	2020
Balance as at 1 January	120,628	204,556
Share of profit/(loss)	157,653	(83,830)
Share of changes in other comprehensive income/(loss)	2,717	(98)
Balance as at 31 December	280,998	120,628

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9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO) (continued)

Summarized income statement of SAMAPCO:

	<u>2021</u>	<u>2020</u>
Revenue	1,143,288	522,992
Profit/(loss) after zakat	315,307	(167,662)
Total comprehensive income / (loss)	320,741	(167,858)

9.2. Investment in associates

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Investment in associates:			
Tasnee and Sahara Olefins Company	9.2.1	3,492,672	3,178,072
Khair Inorganic Chemical Industries Company	9.2.2	189,753	194,614
		<u>3,682,425</u>	<u>3,372,686</u>

9.2.1. Tasnee and Sahara Olefins Company (TSOC)

The Group has a 32.55% interest in TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, engaged in production and sale of Propylene, Ethylene and Polyethylene.

The Group's interest in TSOC is accounted for using the equity method in these consolidated financial statements.

The tables below provide summarised financial information for TSOC. The information disclosed reflects the amounts presented in the financial statements of TSOC and not the Group's share of those amounts. These have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed:

	<u>2021</u>	<u>2020</u>
Non-current assets	12,788,320	9,824,441
Current assets	1,268,769	333,120
Non-current liabilities	(1,967,400)	(202,500)
Current liabilities	(633,040)	(191,399)
Net assets	<u>11,456,649</u>	<u>9,763,662</u>

Reconciliation to carrying amount:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	3,178,072	3,155,341
Share of profit	378,010	55,281
Dividends	(63,410)	(32,550)
Balance as at 31 December	<u>3,492,672</u>	<u>3,178,072</u>

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9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.2.1 Tasnee and Sahara Olefins Company (TSOC) (continued)

Summarized income statement of TSOC:

	<u>2021</u>	<u>2020</u>
Revenue	1,099,855	594,997
Share of profit in associated companies	911,532	310,980
Profit after zakat	1,334,193	191,138
Total comprehensive income	1,334,193	191,138

9.2.2. Khair Inorganic Chemical Industries Company (Inochem)

The Group has a 30% interest in Inochem, a Saudi closed joint stock company and registered in the Kingdom of Saudi Arabia. It will engaged in production and sale of Dense Sodium Carbonate (Soda Ash), Calcium Chloride and Calcium Carbonate. The commercial operations are not yet started.

The Group's interest in Inochem is accounted for using the equity method in the consolidated financial statements.

The tables below provide summarised financial information for Inochem. The information disclosed reflects the amounts presented in the financial statements of Inochem and not the Group's share of those amounts.

	<u>2021</u>	<u>2020</u>
Non-current assets	1,700,137	620,069
Current assets	18,993	449,996
Non-current liabilities	(861,351)	(363,552)
Current liabilities	(284,629)	(119,375)
Net assets	<u>573,150</u>	<u>587,138</u>

Reconciliation to carrying amount:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	194,614	199,782
Share of loss	(4,861)	(5,208)
Share of changes in other comprehensive income	-	40
Balance as at 31 December	<u>189,753</u>	<u>194,614</u>

	<u>2021</u>	<u>2020</u>
Share of net current assets	171,280	176,141
Goodwill	18,473	18,473
Balance as at 31 December	<u>189,753</u>	<u>194,614</u>

Summarized income statement of Inochem:

	<u>2021</u>	<u>2020</u>
General and administrative expenses	(16,612)	(15,187)
Loss after zakat	(13,557)	(17,363)
Total comprehensive loss	(13,557)	(17,228)

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10. LONG TERM INVESTMENTS

	Notes	2021	2020
At fair value through profit or loss ("FVTPL")	10.1	191,019	184,845
At fair value through other comprehensive income ("FVOCI")	10.2	15,877	15,522
		206,896	200,367
At amortized cost	10.3	45,000	60,255
		251,896	260,622

10.1. At FVTPL

	2021	2020
Listed securities		
Riyad REIT Fund	73,875	63,750
Unlisted securities		
Mutual fund units	117,144	121,095
	191,019	184,845

10.2. At FVOCI

	2021	2020
Equity shares	15,877	15,522

10.3. At amortized cost

This includes investments in various Sukuks which earn profit at prevailing market rates which are based on Saudi inter-bank offer rate. Break-up is as follows:

	Date of maturity	Number of certificates		Amount	
		2021	2020	2021	2020
First Abu Dhabi Bank	March 2023	-	14,000	-	5,255
Bank Julius Baer	June 2021	-	14,000	-	5,177
Bank Al-Bilad	August 2026	-	50,000	-	5,000
Bank Al- Jazira	June 2026	-	50,000	-	5,000
Ma'aden Phosphate	February 2025	50,000	50,000	5,000	5,000
Banque Saudi Fransi	November 2025	40	40	40,000	40,000
				45,000	65,432

Presented in the statement of financial position as follows:

	2021	2020
Non-current assets	45,000	60,255
Current assets	-	5,177
	45,000	65,432

10.4. Movement in long-term investments FVTPL and FVOCI is as follows:

	FVTPL and FVOCI
Balance as at 1 January 2021 - FVTPL	184,845
Balance as at 1 January 2021 - FVOCI	15,522
Purchases	6,000
Disposals/ matured	(7,890)
Fair value gain through profit and loss	8,064
Fair value gain through OCI	355
Balance as at 31 December 2021	206,896
Balance as at 1 January 2020 - FVTPL	188,564
Balance as at 1 January 2020 - FVOCI	15,633
Purchases	4,000
Disposals/ matured	(16,417)
Fair value gain through profit and loss	-
Fair value gain through OCI	8,587
Balance as at 31 December 2020	200,367

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10. LONG TERM INVESTMENTS (continued)

Movement in long-term investments amortized cost is as follows:

	2021	2020
Balance as at 1 January	60,255	25,432
Purchases	-	40,000
Disposals/ matured	(15,255)	-
Reclassified to short term investments	-	(5,177)
Balance as at 31 December	<u>45,000</u>	<u>60,255</u>

11. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

11.1 Deferred tax assets

	2021	2020
Balance as at 1 January	4,970	38,453
Credit for the year	(2,793)	(33,483)
Balance as at 31 December	<u>2,177</u>	<u>4,970</u>

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense and unused tax losses for subsidiaries. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

11.2 Deferred tax liabilities

	2021	2020
Balance as at 1 January	49,400	42,712
Charge for the year	6,017	6,688
Balance as at 31 December	<u>55,417</u>	<u>49,400</u>

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

12. LONG TERM PREPAID EMPLOYEES' BENEFITS

	Employees' receivables	Employee loan	Deferred Costs	Total
Balance as at 1 January 2021	759,582	7,257	175,957	942,796
Additions during the year	-	10,811	660	11,471
Amortization	-	-	(47,177)	(47,177)
Deductions	(164,111)	(286)	-	(164,397)
Discount on employee receivables	(10,422)	(3,657)	-	(14,079)
Balance as at 31 December 2021	<u>585,049</u>	<u>14,125</u>	<u>129,440</u>	<u>728,614</u>
Balance as at 1 January 2020	826,558	-	203,192	1,029,750
Additions during the year	(1,805)	7,257	1,676	7,128
Amortization	-	-	(28,911)	(28,911)
Deductions	(65,171)	-	-	(65,171)
Balance as at 31 December 2020	<u>759,582</u>	<u>7,257</u>	<u>175,957</u>	<u>942,796</u>

13. GOODWILL

On 31 December 2011, SMC acquired 100% of the voting shares of Sipchem Europe SA (Formerly Aectra SA), an unlisted Company registered in Switzerland and subsidiary of Sipchem Europe Cooperative U.A, for a consideration of SR 106 million. SR 30 million of goodwill arose on this transaction.

Further, as disclosed in Note 1 to these consolidated financial statements, on 16 May 2019, Sipchem acquired 100% shares and voting interests in Sahara Petrochemicals Company ("Sahara") and obtained control of Sahara. This business combination resulted in SR 600.9 million of goodwill.

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13. GOODWILL (continued)

Goodwill has been allocated based on the assessed fair values to the following cash-generating units:

Cash-generating units	Amount
Sahara	342,295
Al-Waha	258,644
	600,939

Goodwill is tested annually for any impairment by the Group's management, using discounted cash flow model. As a result of the goodwill assessment test performed during the year ended 31 December 2021, management found no evidence of impairment in goodwill.

The Group uses value in use as the basis to determine the recoverable amounts. The key assumptions used are as follows:

- The projected cash flows used were based on 5 years' business plan forecasts approved by the management. This is the best available information on projected sales and production volumes, sales prices and production costs.
- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2% (2020: 2%). Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the Group's activities.
- A discount rate of 10% (2020: 10%) was applied to the cash flow projections, which is based on the weighted average cost of capital.

The Group assessed sensitivity of the discounted cash flow model used to the following key assumptions:

- Decreasing the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.
- Increasing the discount rate by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.

As such, any reasonably expected changes to key assumptions will not have any material impact on the carrying value of Goodwill allocated to different cash-generating units.

14. INVENTORIES

	Notes	2021	2020
Raw materials		120,044	109,555
Finished goods	14.1	665,470	450,216
Spare parts and consumables		409,721	395,826
		1,195,235	955,597
Provision for slow moving stores and spares	14.2	(49,808)	(48,071)
		1,145,427	907,526

14.1. As at 31 December, finished goods includes the inventories amounting to SR 21.7 million (2020: SR 7.9 million) which are semi-finished products.

14.2. Movement in provision for slow moving stores and spares is as follows:

	2021	2020
Balance as at 1 January	48,071	31,324
Provision for the year	1,737	16,747
Balance as at 31 December	49,808	48,071

14.3. As at 31 December 2021, the Group wrote down its finished goods inventory by SR Nil (2020: SR 7.5 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the consolidated income statement.

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15. TRADE RECEIVABLES

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Trade receivables		1,870,038	1,130,945
Less: Impairment provision	15.1	(7,623)	(70,027)
		<u>1,862,415</u>	<u>1,060,918</u>

15.1. Movement in impairment provision is as follows:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	70,027	84,257
Provision made during the year	4,767	-
Write-off through provision	(67,171)	(14,230)
Balance as at 31 December	<u>7,623</u>	<u>70,027</u>

Trade receivables include an amount of SR 485.4 million (2020: SR 339.3 million) from related parties. For terms and conditions relating to related party receivables, refer to note 35. Trade receivables are non-interest bearing and are generally on terms in accordance with the agreements with customers. The management analyse customers outstanding balance on regular basis and write off any balance which management realize to be uncollectible.

Trade receivables amounting to SR 764.6 million (2020: SR 162.8 million) are secured.

Please refer note 19 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

16. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2021</u>	<u>2020</u>
Advances, deposits and prepayments	78,477	99,615
Due from related parties (note 35)	69,982	38,894
VAT input tax receivable	70,815	31,239
Accrued investment income	460	1,264
Others	7,633	18,855
	<u>227,367</u>	<u>189,867</u>

17. CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
Cash in hand	347	186
Cash at bank	1,388,793	952,335
Short term deposits	1,301,250	1,544,350
	<u>2,690,390</u>	<u>2,496,871</u>

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. Short term deposits represents deposits with commercial banks carrying profit rate ranging from 0.25% to 0.9% (2020: 0.2% - 0.8%).

18. SHARE CAPITAL AND RESERVES

	<u>2021</u>	<u>2020</u>
Authorized shares		
Ordinary shares @ SR 10 each		
Ordinary shares issued and fully paid		
As at 1 January	733,333	733,333
As at 31 December	<u>733,333</u>	<u>733,333</u>

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18. SHARE CAPITAL AND RESERVES (continued)

Statutory reserve

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution to shareholders.

Other reserves

Other reserves include cash flow hedge reserve, fair value investment reserve, reserve for results of sale/purchase of shares in subsidiaries, foreign currency translation reserve, share based payment premium reserve, share based payment transactions reserve and unrealised gain/(loss) on employees' benefits. The gains or losses resulting from sale/purchase of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

Movement in other reserves during the year is as follows:

31 December 2021	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale /purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment Premium reserve	Shares based payment transaction reserve	Unrealised gain/(loss) on employees' benefits	Total
As at 1 January 2021	1,056	21,245	(1,252)	(8,319)	29,707	11,140	(135,755)	(82,178)
Exchange difference on translation of foreign operations	-	-	-	(387)	-	-	-	(387)
Changes in the fair value of derivative financial instruments	6,880	-	-	-	-	-	-	6,880
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	45,056	45,056
Changes in the fair value of investment	-	355	-	-	-	-	-	355
Transfer to retained earnings	-	(19,915)	-	-	-	-	-	(19,915)
Net change in share premium accounts	-	-	-	-	5,055	(3,344)	-	1,711
Net change in reserve for sale purchase in subsidiaries	-	-	(392,388)	-	-	-	-	(392,388)
As at 31 December 2021	7,936	1,685	(393,640)	(8,706)	34,762	7,796	(90,699)	(440,866)

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18. SHARE CAPITAL AND RESERVES (continued)

31 December 2020	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale /purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment Premium reserve	Shares based payment transaction reserve	Unrealised gain/(loss) on employees' benefits	Total
As at 1 January 2020	(2,632)	12,658	12,850	(8,427)	36,449	4,592	(55,923)	(433)
Exchange difference on translation of foreign operations	-	-	-	108	-	-	-	108
Changes in the fair value of derivative financial instruments	3,688	-	-	-	-	-	-	3,688
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	(79,832)	(79,832)
Changes in the fair value of investment	-	8,587	-	-	-	-	-	8,587
Net change in share premium accounts	-	-	-	-	(6,742)	6,548	-	(194)
Net change in reserve for sale / purchase in subsidiaries	-	-	(14,102)	-	-	-	-	(14,102)
As at 31 December 2020	1,056	21,245	(1,252)	(8,319)	29,707	11,140	(135,755)	(82,178)

As at 31 December 2021, the Group had following share-based payments arrangements:

Share purchase plan (Equity-settled)

The Group had offered to its employees to participate in an employee share purchase plan. To participate in plan, employees must have fulfil eligibility criteria of the Company i.e. must have completed one year of service and having good performance rating from the Company. Under the terms of Plan, at the end of 36 months period the employees are entitled to purchase shares using funds saved at a price of 30% below the market price at grant date. Only employees that remain in services and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. The subscriber pays 25% of value of the allotted shares in cash and remaining is paid in equal monthly instalments not exceeding 20% of the subscriber's monthly salary. Employees who ceases their employment, before completion of 36 instalments, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

The key terms and conditions related to the grant under these programmes are as follows; all options are to be settled by the physical delivery of shares.

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18. SHARE CAPITAL AND RESERVES (continued)

31 December 2021:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-19	306,706	3 years services from grant date	21.0	14.7	3 Years
1-Nov-19	247,665	3 years services from grant date	16.7	11.7	3 Years
1-May-20	1,682,883	3 years services from grant date	13.8	9.7	3 Years
1-Nov-20	479,063	3 years services from grant date	16.6	11.6	3 Years
1-May-21	332,055	3 years services from grant date	23.8	16.7	3 Years
1-Nov-21	66,303	3 years services from grant date	44.2	30.9	3 Years

31 December 2020:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-18	28,834	3 years services from grant date	22.6	15.8	3 Years
1-Nov-18	168,712	3 years services from grant date	21.1	14.8	3 Years
1-May-19	318,706	3 years services from grant date	21.0	14.7	3 Years
1-Nov-19	321,327	3 years services from grant date	16.7	11.7	3 Years
1-May-20	2,058,384	3 years services from grant date	13.8	9.7	3 Years
1-Nov-20	490,258	3 years services from grant date	16.6	11.6	3 Years

The Group has, under share based payments arrangements, cash and cash equivalent of SR 24.2 million (2020: SR 15.9 million) and short-term investments of SR 20.2 million (2020: SR 20 million). The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted SR 4.5 million (2020: SR 3.8 million).

19. FINANCIAL INSTRUMENTS

19.1. Financial assets

31 December 2021	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	-	20,223	-	20,223
Long term investment	45,000	191,019	15,877	251,896
Trade receivables (note 15)	1,862,415	-	-	1,862,415
Prepayments and other current assets	211,469	-	-	211,469
Cash and cash equivalent (note 17)	2,690,390	-	-	2,690,390
	4,809,274	211,242	15,877	5,036,393

31 December 2020	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	298,079	20,036	-	318,115
Long term investment	60,255	184,845	15,522	260,622
Trade receivables (note 15)	1,060,918	-	-	1,060,918
Prepayments and other current assets	166,483	-	-	166,483
Cash and cash equivalent (note 17)	2,496,871	-	-	2,496,871
	4,082,606	204,881	15,522	4,303,009

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19. FINANCIAL INSTRUMENTS (continued)

19.2. Financial liabilities

Financial liabilities measured at amortized cost:

a. Other financial liabilities

	2021	2020
Lease liabilities (note 7)	164,901	67,173
Trade and other payables (note 24)	312,333	226,848
Accrued expenses and other current liabilities (note 25)	1,387,741	927,095
Total other financial liabilities measured at amortized cost	1,864,975	1,221,116

b. Loans and borrowings

	2021	2020
Current loans and borrowings		
Shari'a compliant loans (Note 19.2.1)	498,820	692,303
Saudi Industrial Development Fund ("SIDF") (Note 19.2.2)	84,000	331,500
Public Investment Fund loans ("PIF") (Note 19.2.3)	-	54,208
	582,820	1,078,011
Islamic Murabaha bonds (SUKUK) (Note 19.2.4)	-	987,773
Other current loans		
Short term loan (Note 19.2.5)	70,000	-
Total current loans and borrowings	652,820	2,065,784
Non-current loans and borrowings		
Shari'a compliant loans	4,712,324	4,909,272
Saudi Industrial Development Fund ("SIDF")	9,148	132,523
Public Investment Fund loans ("PIF")	-	298,121
	4,721,472	5,339,916
Other non-current loans & liabilities		
Advances from non-controlling shareholders (Note 19.2.6)	54,802	53,326
Total non-current loans and borrowings	4,776,274	5,393,242
Total loans and borrowings	5,429,094	7,459,026
Total financial liabilities measured at amortized cost	7,294,069	8,680,142

Aggregate maturities of the long term loans at 31 December were as follows:

	2021	2020
2021	-	2,065,784
2022	652,820	1,627,293
2023	1,279,411	1,372,802
2024	1,034,498	1,266,511
2025	600,833	669,031
2026	1,023,589	400,445
2027 and above	837,943	57,160
	5,429,094	7,459,026

Financial liabilities measured at fair value

	2021	2020
Derivative financial instruments	-	6,880
	-	6,880

19. FINANCIAL INSTRUMENTS (continued)

19.2. Financial liabilities (Continued)

Financial liabilities measured at fair value (Continued)

19.2.1 Shari'a compliant bank loans

The Group entered into Shari'a compliant credit facility agreements with individual financial institutions as well as syndicates of financial institutions. The loans are secured by second priority mortgage on the assets already mortgaged to SIDF. The loans are repayable in unequal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at SIBOR plus a fixed margin.

19.2.2 Secured loan - Saudi Industrial Development Fund

The Saudi Industrial Development Fund ("SIDF") granted loans to IPC, SCC and GACI. These loans are secured by guarantees from shareholders of relevant affiliates proportionate to their respective shareholdings and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual instalments. The loan agreements include covenants to maintain financial ratios during the loans period. Management fees and follow-up fees are charged to the loans as stated in the loan agreements.

19.2.3 Secured loan - Public Investment Fund

The Public Investment Fund ("PIF") granted loan to IPC to finance the construction of plants of these companies. The obligation under these loan agreements at all times are pari passu with all other creditors. The loans are repayable in equal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR plus a fixed margin. In March 2021, the Group refinanced the PIF loan and replaced it with a Shari'a compliant bank loans.

19.2.4 Sukuk

On June 2016, the Company issued new Mudaraba/Murabaha Sukuk amounting to SR 1,000 million with a maturity of five years and with commission payable semi-annually at a rate of SIBOR plus 2.35% per annum. These Sukuk have matured during 2021.

19.2.5 Short term loan

During 2021, the Group has taken short term loan from the bank. The loan carry financial charges at market rates.

19.2.6 Advances from non-controlling shareholders

The partner of GACI has agreed to contribute advances to finance certain percentage of their projects' costs as per the shareholders agreements. As per the shareholder agreements, long term shareholders' advances shall be repaid after the repayment of external debt and funding of the reserve accounts. As of 31 December 2021, the shareholders of the subsidiaries of the Company had granted long term advances of SR 54.8 million (2020: SR 53.3 million). These advances carry finance charges at market rates.

Bank Facilities

The Group has bank facilities from local banks in the form of working capital facilities, letters of credit and guarantee, and other facilities ("the Facilities"). The facilities carry commission at the prevailing market rates.

19.3. Financial assets measured at fair value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

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19. FINANCIAL INSTRUMENTS (continued)
19.3 Financial assets measured at fair value (continued)

	Carrying	Fair value	Level 1	Level 2	Level 3
As at 31 December 2021					
<u>Short term investments</u>					
Equity securities	20,223	20,223	20,223	-	-
<u>Long term investments</u>					
Listed mutual fund	73,875	73,875	73,875	-	-
Unlisted mutual fund	117,143	117,143	-	117,143	-
Equity shares	15,878	15,878	15,878	-	-
Total	227,119	227,119	109,976	117,143	-
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2020					
<u>Short term investments</u>					
Equity securities	20,036	20,036	20,036	-	-
<u>Long term investments</u>					
Listed mutual fund	63,750	63,750	63,750	-	-
Unlisted mutual fund	121,095	121,095	-	121,095	-
Equity shares	15,522	15,522	15,522	-	-
Total	220,403	220,403	99,308	121,095	-

19.4. Measurement at fair value

The financial assets and liabilities of the Group are recognised in the consolidated statement of financial position in accordance with the accounting policies. The carrying value of the financial assets and financial liabilities of the Group approximate the fair value.

19.5. Measurement at amortized cost

This represents deposits with banks having maturity of more than three months but less than a year from date of placement. The Group has the intention to hold the investment till maturity. The amount of such investments as at 31 December 2021 is SR Nil (2020: SR 298.1 million). These investments are classified as short term investments. Refer to note 10 for long term investments carried at amortized cost.

19.6. Financial instruments risk management objectives and policies

The Group's principal financial assets include cash and cash equivalents, accounts receivable, long term and short term investments and certain other receivables, that arrive directly from its operations. The Group has entered into derivative transactions. The Group's principal financial liabilities, comprise short and long term loans and borrowings, including advances from partners, as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with group policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and derivative financial instruments.

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**19. FINANCIAL INSTRUMENTS (continued)
19.6. Financial instruments risk management objectives and policies (continued)**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. To manage this, the Group has a policy to assess implications of changes in interest rates and evaluate need of entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2021, fixed amount of interest on outstanding long term loan is approximately around 39% (2020: 39%) of finance charges on loans.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting (if any). With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease	Effect on profit before Zakat and income tax
31 December 2021		
Impact in SR in million due to change in base point	+50 bps	26.5
Impact in SR in million due to change in base point	-50 bps	(26.5)
31 December 2020		
Impact in SR in million due to change in base point	+50 bps	36.1
Impact in SR in million due to change in base point	-50 bps	(36.1)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing some volatility than in prior years.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties. The Group is subject to fluctuations in foreign exchange rates for Australian dollar ("AUD") and Euros. The currency risk is monitored at the Group level. The Group monitors the fluctuations in exchange rates and manages its foreign currency risk by entering into hedging transactions using forward exchange contracts. At 31 December 2021, the Group had SR 45.9 million (2020: SR 20.8 million) and 5.4 million (2020: SR Nil) receivable balances in AUD and Euro respectively.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the Euro/AUD exchange rate, with all other variables held constant, of the Group's profit before zakat and foreign income tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's pre-tax equity, if any. The Group's exposure to foreign currency changes for all other currencies is not material.

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19. FINANCIAL INSTRUMENTS (continued)
19.6. Financial instruments risk management objectives and policies (continued)
Foreign currency sensitivity

	Change in Euro rate	Effect on profit before tax SR in million	Effect on equity SR in million
31 December 2021			
Euro/AUD to Saudi Riyals	+0.5	7.8	7.8
Euro/AUD to Saudi Riyals	-0.5	(7.8)	(7.8)
31 December 2020			
Euro/AUD to Saudi Riyals	+0.5	5.5	5.5
Euro/AUD to Saudi Riyals	-0.5	(5.5)	(5.5)

Commodity price risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production, mainly propane, ethane, ethylene, propylene, natural gas and utilities, with many of the inputs correlated to the prices of crude oil.

To manage the risk, the Board of Directors has developed and enacted a risk management strategy which includes procuring long term fixed-price contracts where possible to deal with commodity price risk. Further, prices of certain variable-price inputs like propane, propylene, ethylene are relatively co-related to the sales price of the final product sold by the group, which also mitigates the exposure. Sensitivity of the Group's product portfolio to volatility in crude oil prices cannot be reasonably determined and, therefore, has not been disclosed.

Sensitivity analysis - Equity price risk

Group's listed equity investments are listed on Tadawal. For such investments classified at FVOCI, a 1% increase in market price at the reporting date would have increase the equity by SR 0.9 million (2020: SR 0.8 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and contract assets, as disclosed in note 19.

Impairment provision on financial assets and contract assets recognised in profit or loss are as follows:

	2021	2020
Impairment provision recognized on trade receivables and contract assets arising from contracts with customers	4,767	-
	4,767	-

Trade receivables and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2021, the Group had 10 customers (2020: 10 customers) represent SR 1,100 million (2020: SR 517 million) altogether and accounted for approximately 59% (2020: 46%) of the total trade receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group evaluates the concentration of risk with respect to trade receivables as normal, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Trade receivables and contract assets (continued)

At 31 December 2021, the exposure to credit risk for trade receivables and contract assets by geographic region is as follows:

	<u>2021</u>	<u>2020</u>
Foreign countries	1,739,561	1,000,796
Saudi Arabia	<u>122,854</u>	<u>130,149</u>
	<u><u>1,862,415</u></u>	<u><u>1,130,945</u></u>

At 31 December 2021, the exposure to credit risk for trade receivables and contract assets by type of counterparty is as follows:

	<u>2021</u>	<u>2020</u>
Marketers/off-takers	485,431	425,561
End-user customers	<u>1,376,984</u>	<u>705,384</u>
	<u><u>1,862,415</u></u>	<u><u>1,130,945</u></u>

At 31 December 2021, the carrying amount of the Group's most significant customer (marketer/off-taker) is SR 297.4 million (2020: SR 194.8 million).

Expected credit loss assessment for customers as at 31 December 2021

The Group allocates each exposure to a credit risk grade based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from customers:

<u>31 December 2021</u>	<u>ECL impairment rate</u>	<u>Gross carrying amount</u>	<u>ECL impairment</u>
Current (not past due)	-	1,698,500	-
0-90 days past due	-	155,126	-
91-120 days past due	-	-	-
121-180 days past due	10%	4,660	(466)
181-360 days past due	14%	2,716	(380)
More than 360 days past due	75%	<u>9,036</u>	<u>(6,777)</u>
		<u><u>1,870,038</u></u>	<u><u>(7,623)</u></u>
<u>31 December 2020</u>	<u>ECL impairment rate</u>	<u>Gross carrying amount</u>	<u>ECL impairment</u>
Current (not past due)	-	967,367	-
0-90 days past due	-	60,355	-
91-120 days past due	-	3,012	-
121-180 days past due	10%	3,496	(360)
181-360 days past due	14%	4,759	(656)
More than 360 days past due	75%	<u>91,956</u>	<u>(69,011)</u>
		<u><u>1,130,945</u></u>	<u><u>(70,027)</u></u>

ECL impairment rates are based on actual credit loss experience over the past years. These rates are reflective of economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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19. FINANCIAL INSTRUMENTS (continued)
19.6. Financial instruments risk management objectives and policies (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in note 15, except for derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2021	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	164,901	-	5,124	5,124	38,728	127,989	176,965
Trade and other payables	312,333	-	312,333	-	-	-	312,333
Accrued expenses and other current liabilities	1,387,741	-	1,387,741	-	-	-	1,387,741
Loans and borrowings	5,429,094	-	391,285	263,800	3,938,331	869,544	5,462,960
	7,294,069	-	2,096,483	268,924	3,977,059	997,533	7,339,999

As at 31 December 2020	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	67,173	-	3,124	3,124	20,374	67,490	94,112
Trade and other payables	226,848	-	226,848	-	-	-	226,848
Accrued expenses and other current liabilities	927,095	-	927,095	-	-	-	927,095
Loans and borrowings	7,459,026	-	1,428,186	640,701	4,935,637	499,762	7,504,286
	8,680,142	-	2,585,253	643,825	4,956,011	567,252	8,752,341

Capital management

Capital includes equity paid up capital and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio and current ratio, the Group's policy is to keep the gearing ratio maximum 3:1 and current ratio minimum 1.4:1. The Group calculates the gearing ratio by total liabilities divided by total shareholder's equity including non-controlling interest.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

20. CONTRACTUAL LIABILITIES

Contractual liabilities include the following:

- Advance received of SR 50.6 million resulting from a supply agreement which will be adjusted over a 60 month period starting from 2017. As at 31 December 2021, outstanding advance was amounted to SR 5.1 million (2020: SR 15.2 million) which is classified as current.
- Advance received for usage of certain shared facilities by a joint venture which will be adjusted over the duration of the shared facilities usage contract. As at 31 December 2021, outstanding balance was amounted to SR 52.1 million (2020: SR 56.7 million) including SR 4.6 million (2020: SR 4.6 million) which is classified as current.
- An expected credit loss provision against a financial guarantee contract amounting to SR 123.2 million (2020: SR 92.4 million).

21. EMPLOYEES' BENEFITS

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Post-employment benefits	21.1	531,366	619,839
Thrift plan	21.2	42,731	41,352
		<u>574,097</u>	<u>661,191</u>

21.1. Post employment benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the consolidated income statement and consolidated statement of other comprehensive income and amounts recognized in the consolidated statement of financial position.

Net benefit expense recognised in consolidated income statement:

	<u>2021</u>	<u>2020</u>
Current service cost	74,016	61,496
Interest cost on defined benefit obligation	17,281	12,203
	<u>91,297</u>	<u>73,699</u>

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21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits (continued)

Re-measurement: Actuarial (gains)/ losses recognised in consolidated statement of profit or loss and other comprehensive income:

	2021	2020
Loss due to change in financial assumptions	23,318	29,102
Gain due to change in demographic assumptions	(38,519)	-
(Gain) / loss due to change in experience adjustments	(28,409)	52,498
Share of (gain) / loss from joint venture and associates	(2,717)	58
	<u>(46,327)</u>	<u>81,658</u>

Movement in the present value of defined benefit obligation:

	2021	2020
As at 1 January	619,839	491,233
Current service cost	63,775	61,496
Interest cost on benefit obligation	17,281	12,203
Actuarial (gain) / loss on the obligation	(43,610)	81,600
Transfer out	(1,138)	-
Benefits paid during the year	(124,781)	(4,511)
Gain on plan settlements	-	(22,182)
As at 31 December	<u>531,366</u>	<u>619,839</u>

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2021	2020
Discount rate	2.48%	3.1%
Future salary increases	4.2%	4.2%
Mortality rates	A1949-52	A1949-52
Rates of employee turnover	12% per annum	6% per annum

Assumptions regarding future mortality have been based on published statistics and mortality tables. A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2021 is shown below:

Assumptions

Sensitivity analysis

Defined benefit obligation as at 31 December 2021

Defined benefit obligation as at 31 December 2020

	<u>Discount rate</u>	
	0.5% Increase	0.5% Decrease
Defined benefit obligation as at 31 December 2021	512,411	551,662
Defined benefit obligation as at 31 December 2020	588,320	654,184
	<u>Salary increase</u>	
	0.5% Increase	0.5% Decrease
Defined benefit obligation as at 31 December 2021	552,350	511,563
Defined benefit obligation as at 31 December 2020	654,641	587,571

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The average duration of the defined benefit obligation at the end of the reporting period is 7 years (2020: 11 years).

The expected maturity analysis of undiscounted post-employment benefits is as follows:

	<u>Less than a year</u>	<u>Between 1 - 2 years</u>	<u>Between 2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
2021	66,957	57,523	176,785	939,687	1,240,952
2020	38,889	41,760	151,497	1,945,000	2,177,146

21.2. Thrift Plan

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

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22. DECOMMISSIONING LIABILITY

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	138,945	131,588
Reduction during the year	(11,890)	-
Charge for the year	6,353	7,357
Balance as at 31 December	<u>133,408</u>	<u>138,945</u>

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered interest swap contracts with commercial banks to manage the exposure of volatility in interest rates. At 31 December 2021, there are no interest rate swap agreements (2020: negative fair values of SR 6.9 million).

24. TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u>
Trade payables	312,333	222,597
Due to related parties (note 35)	-	4,251
	<u>312,333</u>	<u>226,848</u>

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Provision for loss of precious metals		440,283	234,509
Goods received invoices not received		409,396	322,037
Distribution costs accruals		108,443	66,430
Due to related parties	35	92,005	87,619
Donations		46,663	23,740
Finance costs accruals		30,451	17,083
SEIP Payable		31,869	19,655
Employees related liabilities		29,220	14,749
Project related accruals		5,445	15,866
Others		193,966	125,407
		<u>1,387,741</u>	<u>927,095</u>

26. ZAKAT AND INCOME TAX PAYABLE

	<u>2021</u>	<u>2020</u>
Zakat payable	484,210	223,309
Income tax payable	78,667	(3,464)
	<u>562,877</u>	<u>219,845</u>

The principal elements of the Zakat base of the Group are as follows:

	<u>2021</u>	<u>2020</u>
Non-current assets	18,577,741	18,796,155
Non-current liabilities	5,872,523	6,464,109
Opening shareholders' equity	12,986,676	13,342,181
Profit before Zakat and income tax	4,418,895	185,203
Consumables spares	409,721	395,826
Dividend paid	1,636,115	364,081

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%. Income tax is payable at 20% of taxable income attributable to foreign shareholders.

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26. ZAKAT AND INCOME TAX PAYABLE (continued)

The movement in the Zakat and income tax payable is as follows:

	Zakat	Income Tax	Total
Balance as at 1 January 2021	223,309	(3,464)	219,845
Current year charge	345,528	89,595	435,123
Prior year (over) provision	4,355	1,436	5,791
Payments during the year	(88,982)	(8,900)	(97,882)
Balance as at 31 December 2021	484,210	78,667	562,877
	Zakat	Income Tax	Total
Balance as at 1 January 2020	193,926	28,135	222,061
Current year charge	77,792	13,580	91,372
Prior year (over) provision	(933)	(2,808)	(3,741)
Utilization of prior year advance payment	-	(31,243)	(31,243)
Payments during the year	(47,476)	(11,128)	(58,604)
Balance as at 31 December 2020	223,309	(3,464)	219,845

The Zakat, income tax and deferred tax charge/(credit) for the year ended 31 December comprises of the following:

	Zakat	Income Tax	Deferred tax	Total
2021				
Zakat and income tax attributable to owners of the Company	349,883	-	-	349,883
Income tax attributable to non-controlling interest	-	91,031	-	91,031
Deferred tax (note 11)	-	-	8,810	8,810
	349,883	91,031	8,810	449,724
	Zakat	Income Tax	Deferred tax	Total
2020				
Zakat and income tax attributable to owners of the Company	76,859	-	-	76,859
Income tax attributable to non-controlling interest	-	10,772	-	10,772
Deferred tax (note 11)	-	-	40,171	40,171
	76,859	10,772	40,171	127,802

Outstanding assessments:

The Group is subject to Zakat and income tax in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular year end. This liability is considered an estimate until the final assessment by ZATCA has been completed until which the Group retains exposure to additional Zakat and tax liability. Wherever necessary, the Group has recorded estimated additional Zakat and income tax liability in respect of the following open assessments.

Sahara International Petrochemical Company (Sipchem)

Sipchem has received Zakat assessments for the years 2009 to 2010 with Zakat liability of SR 81 million. The Zakat liability was reduced to SR 71 million post appeal at Preliminary Appeal Committee ("PAC"). Sipchem further escalated the appeal to Higher Appeal Committee ("HAC") for reconsideration. During the year ended 31 Dec 2021, the Company is in process of registering the case with General Secretariat of Tax Committees ("GSTC").

Sipchem has received Zakat assessments for the years 2011 to 2014 with Zakat liability of SR 71.3 million. Sipchem has accepted and settled an under-protest amount of SR 0.9 million and filed appeal on remaining amount for the Zakat, Tax and Customs Authority ("ZATCA") reconsideration. The ZATCA raised revised assessment without considering appeal. Sipchem has escalated the appeal against revised assessment to the GSTC. During the year ended 31 Dec 2021, GSTC conducted appeal hearing sessions and issued decision for the years 2011 to 2013 in favor of Sipchem and 2014 in favor of ZATCA. For the year 2014, Sipchem escalated the appeal against decision to the 2nd level of GSTC. Similarly, ZATCA escalated the appeal for the years 2011 to 2013 to the 2nd level of GSTC. GSTC review is awaited.

26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

Sipchem has received Zakat assessments for the years 2015 to 2018 with Zakat liability of SR 12.4 million. Sipchem has accepted and settled an under-protest amount of SR 5.1 million and filed appeal on remaining amount for the ZATCA's reconsideration. During the year ended 31 Dec 2021, the ZATCA issued revised assessment with a zakat liability of SR 6.9 million. Sipchem has filed appeal against the revised assessment at GSTC. Further upon GSTC request, Sipchem has submitted additional appeal memo against ZATCA viewpoints. GSTC appeal hearing is awaited.

International Methanol Company (IMC)

IMC has received tax and Zakat assessments for the years 2003 through 2010 with a tax, Zakat and delay fine liability of SR 60.6 million. IMC has accepted and settled an under-protest a total amount of SR 3.2 million. The Company filed objections with ZATCA and PAC for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 5.2 million. The company settled a further under protest amount of SR 686K and escalated the appeal against revised assessment at GSTC against the remaining amount. During the year ended 31 December 2021, upon GSTC request, IMC has submitted additional appeal memo against ZATCA viewpoints. GSTC conducted appeal hearing session and issued decision in favor of IMC. However, ZATCA has escalated the appeal to 2nd level of GSTC. IMC is in process of submission of response to the ZATCA viewpoints which is due for submission in Feb 2022.

International Acetyl Company (IAC)

IAC has received tax and Zakat assessments for the years 2006 through 2008 with Zakat, tax and withholding tax liability of approximately SR 7.3 million. IAC has accepted and settled an under-protest a total amount of SR 1.1 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 3.8 million. The Company has appealed against revised assessment at GSTC. GSTC conducted two appeal hearing sessions in 2020. During 2021, IAC received GSTC decision with partial acceptance of appeal in its favor. IAC escalated the items not accepted under its favor to 2nd level of GSTC. GSTC review is awaited.

International Vinyl Acetate Company (IVC)

IVC has received tax and Zakat assessments for the years 2011 and 2012 with Zakat, withholding tax and delay fine liability of approximately SR 28.3 million. IVC has accepted and settled an under-protest a total amount of SR 0.25 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 20.8 million. The Company has appealed against revised assessment at GSTC. GSTC conducted appeal hearing session in 2020. During 2021, GSTC issued its decision in favor of ZATCA. IVC has escalated the appeal to the 2nd level of GSTC. GSTC review is awaited.

IVC has received tax and Zakat assessments for the years 2013 and 2014 with Zakat, tax and delay fine liability of approximately SR 3.6 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 0.95 million. During 2021, IVC escalated the appeal to GSTC against the ZATCA's revised assessment. GSTC review is awaited.

IVC has received tax and Zakat assessment for the year 2015 with Zakat liability of approximately SR 0.23 million. The Company has accepted and settled zakat liability under protest a total amount of SR 0.23 million. The Company appealed against assessment for ZATCA reconsideration with respect to reduction in tax losses. During the year ended 31 Dec 2021, ZATCA rejected IVC's appeal and IVC subsequently escalated appeal to GSTC. GSTC review is awaited. IVC has received withholding tax and capital gains tax assessment for the year 2015 with a liability of approximately SR 7.6 million. The Company filed objection against assessment for ZATCA's reconsideration. During 2021, ZATCA rejected IVC's appeal and IVC subsequently escalated appeal to GSTC. GSTC review is awaited.

During 2021, IVC has received final assessments for the years 2016 to 2018 with total additional zakat, tax and delay fine of SR 4,667,413 and SR 424,556 respectively. The company has settled an amount of SR 539,298.6 and SR 169,835 under protest in settlement of additional tax/delay fine and zakat liability. IVC filed an appeal with ZATCA against the final assessment. However, ZATCA rejected the appeal. IVC has subsequently escalated appeal to GSTC against ZATCA assessment. GSTC review is awaited.

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26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

International Gases Company (IGC)

During 2021, IGC has received final assessment for the year 2018 with total additional zakat liability of SR 2.87m. The company has accepted and settled an amount of SR 0.26m under protest. IGC is in process of submitting appeal against the ZATCA assessment.

Saudi Specialized Products Company (SSPC)

SSPC has received tax and Zakat assessment for the years 2014 and 2015 with Zakat and withholding tax liability of approximately SR 4.7 million. The Company has accepted and settled liability under protest a total amount of SR 0.94 million. SSPC has received revised assessment from ZATCA with a liability of SR 2.5 million and the Company has filed appeal against the revised assessment with GSTC. During 2021, GSTC conducted an appeal hearing session and issued decision in favor of ZATCA. SSPC has escalated the appeal to 2nd level of GSTC. GSTC review is awaited.

SSPC has received Zakat assessment for the years 2017 and 2018 with Zakat liability of approximately SR 1 million. The Company has filed appeal against the assessment with ZATCA. During 2021, SSPC has received revised assessment from ZATCA with a liability of SR 0.85m. SSPC has escalated the appeal to GSTC. GSTC review is awaited.

During 2021, SSPC has received Zakat assessment for the years 2019 with Zakat liability of approximately SR 2 million. The Company settled an amount of SR 500K as guarantee payment per zakat regulations. SSPC has appealed with ZATCA against assessment. ZATCA rejected SSPC's appeal and SSPC escalated the appeal to GSTC. SSPC is in process of additional memo against ZATCA viewpoints to GSTC.

Sahara Petrochemicals Company (Sahara)

Sahara has received Zakat assessment for the years 2016 through 2018 with Zakat liability of SR 25.4 million relating to years from 2016 to 2018. The Company has accepted and settled liability under protest a total amount of SR 2.38 million and filed appeal on remaining amount for the ZATCA reconsideration. The ZATCA raised revised assessment without considering appeal. Sahara has escalated the appeal against revised assessment to the GSTC. During 2021, GSTC conducted an appeal hearing session and issued ruling partially in favor of Sahara and ZATCA. GSTC official decision is awaited. Sahara intends to escalate appeal on matters decided in favor of ZATCA to 2nd level of GSTC.

Sipchem has filed combined zakat return including Sahara for the years 2019 and 2020. Further, as per ZATCA requirement, Sahara has duly filed information zakat return for the years 2019 and 2020.

27. REVENUE

27.1. Revenue streams

The Group generates revenue primarily from the sale of petrochemical products.

	<u>2021</u>	<u>2020</u>
Revenue from contract with customers	<u>9,981,729</u>	<u>5,323,023</u>
Total revenue	<u>9,981,729</u>	<u>5,323,023</u>

27.2. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	<u>2021</u>	<u>2020</u>
Primary geographic markets		
Foreign countries	<u>9,142,531</u>	<u>4,574,730</u>
Saudi Arabia	<u>839,198</u>	<u>748,293</u>
	<u>9,981,729</u>	<u>5,323,023</u>
Timing of revenue recognition		
Product transferred at a point in time	<u>9,965,203</u>	<u>5,276,087</u>
Product transferred over time	<u>16,526</u>	<u>46,936</u>
	<u>9,981,729</u>	<u>5,323,023</u>

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27. REVENUE (CONTINUED)

27.3. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	<u>2021</u>	<u>2020</u>
Receivables included in trade receivables	<u>1,854,503</u>	<u>1,053,388</u>
Contract assets included in trade receivables	<u>7,903</u>	<u>7,530</u>
Contractual liabilities	<u>180,300</u>	<u>(164,246)</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

28. SELLING AND DISTRIBUTION EXPENSES

	<u>2021</u>	<u>2020</u>
Freight costs	<u>385,566</u>	331,372
Transportation costs	<u>27,758</u>	19,966
Insurance costs	<u>12,496</u>	12,712
Custom charges	<u>6,097</u>	1,414
Others	<u>20,574</u>	<u>29,153</u>
	<u>452,491</u>	<u>394,617</u>

29. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Employees' related costs	29.1	<u>345,240</u>	306,795
Depreciation and amortization	29.2	<u>185,057</u>	58,217
Legal and professional expenses		<u>12,775</u>	14,348
Research related expenses		<u>12,937</u>	5,148
Board of directors' expenses		<u>11,719</u>	10,242
Donations		<u>31,523</u>	4,690
Others		<u>63,731</u>	<u>19,254</u>
		<u>662,982</u>	<u>418,694</u>

29.1. Employee related costs

	<u>2021</u>	<u>2020</u>
Included in cost of sales	<u>266,770</u>	227,949
Included in general and administrative expenses	<u>345,240</u>	<u>306,795</u>
	<u>612,010</u>	<u>534,744</u>

29.2. Depreciation and amortization

	<u>2021</u>	<u>2020</u>
Included in cost of sales	<u>828,088</u>	900,380
Included in general and administrative expenses	<u>185,057</u>	<u>58,217</u>
	<u>1,013,145</u>	<u>958,597</u>

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30. FINANCE COST

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Finance charges on loans		182,954	218,093
Lease charges for Precious metal		79,149	45,912
Interest cost on defined benefit obligation		14,820	11,048
Commission on LC's & LG's		8,069	4,703
Un-winding cost of decommissioning liability	22	6,353	7,357
Interest on lease liabilities	7	4,797	2,412
Others		22,665	3,977
		318,807	293,502

31. OTHER INCOME AND EXPENSES, NET

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Other income	31.1	37,572	412,239
Other expenses	31.2	(335,804)	(285,745)
		(298,232)	126,494

31.1. Other income

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Gain on precious metal	31.1.1	14,247	321,515
Gain on settlement of EOSB plan		-	22,182
Income on loan settlement with partner		-	28,916
Others		23,325	39,626
		37,572	412,239

31.1.1 The Income of SR14.2 million (2020: SR 321.5 million) mainly represents gain on sale of certain precious metals used as catalysts needed in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

31.2. Other expenses

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Impairment loss	6	260,000	280,000
Others	31.2.1	75,804	5,745
		335,804	285,745

31.2.1 Others mainly include an expected credit loss provision against a financial guarantee contract amounting to SR 30.8 million (2020: SR Nil) and mothballing related expenses SR 31.9 million (2020: SR Nil).

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2021 and 2020 are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share because the Group does not have any dilutive instruments in issue.

	<u>2021</u>	<u>2020</u>
Profit for the year attributable to equity holders of the company	3,591,844	175,863
Weighted average number of shares outstanding during the year	727,162	728,162
Basic and diluted earnings per share	4.94	0.24

33. DIVIDENDS

On 23 June 2021, the Group announced to distribute cash dividends for the first half period of 2021 amounting to SR 549.99 million (i.e. SR 0.75 per share). On 14 July 2021, Sipchem distributed the dividend to shareholders.

On 15 December 2021, the Group announced to distribute cash dividends for the second half period of 2021 amounting to SR 1,090.74 million (i.e. SR 1.5 per share). On 30 December 2021, Sipchem distributed the dividend to shareholders.

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34. COMMITMENTS AND CONTINGENCIES

34.1. Commitments

	<u>2021</u>	<u>2020</u>
Capital commitments	<u>143,802</u>	<u>250,522</u>

34.2. Contingencies

	<u>2021</u>	<u>2020</u>
Letter of guarantees and credits	<u>515,710</u>	<u>640,260</u>

34.3. Contingent liabilities

The Group has no material contingent liabilities as at year ended 31 December 2021 except for those as disclosed in note 26 to the consolidated financial statements.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

<u>Name</u>	<u>Relationship</u>
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
SAMAPCO	Joint venture of a subsidiary
National Industrialization Company	Share holder of associated Company
Basell Arabia Investments Limited and its associates	Shareholder of joint operations of a subsidiary
Saudi Ethylene and Polyethylene Company ("SEPC")	Associated Company

The Company and non-controlling shareholders granted advances to the companies of the Group to support their operations and comply with the debt covenants. Long and short term advances carry finance charges at market rates and have specific maturity dates as per agreed repayment schedules.

The prices and terms of the above transactions were approved by the Board of Directors of the subsidiaries of the Group.

35.1. Significant transaction with related parties other than key management personnel

Transactions with related parties have been disclosed below:

<u>Related party</u>	<u>Nature of transaction</u>	<u>2021</u>	<u>2020</u>
Hanwha	Sales made to Hanwha	756,880	448,366
JAMC	Sales made to JAMC	431,933	223,424
SAMAPCO	Shared service cost charged to SAMAPCO	109,367	98,670
	Allocation of HOP finance cost to SAMAPCO	1,091	3,356
Lyondell Basell	Sales made to Lyondell Basell	466,729	826,322
	Shared services cost charged to Lyondell Basell	35,198	33,124
	Allocation of HOP finance cost to Lyondell Basell	591	1,033
SEPC	Purchase of ethylene by Al-Waha	80,950	38,018
National Industrialization Company	Acquisition of rights to feedstock supply and marketing arrangements	285,000	-

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35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

35.2. The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables (Note - 15)

	<u>2021</u>	<u>2020</u>
Lyondell Basell and its associates	297,407	194,815
Hanwha Chemical Malaysia Sdn Bhd	141,643	100,037
Japan Arabia Methanol Company Limited (JAMC)	46,381	44,446
	<u>485,431</u>	<u>339,298</u>

ii) Prepayments and other current assets (Note - 16)

	<u>2021</u>	<u>2020</u>
SAMAPCO	58,064	34,465
Lyondell Basell	11,918	4,429
	<u>69,982</u>	<u>38,894</u>

iii) Accrued expenses and other current liabilities (Note - 25)

	<u>2021</u>	<u>2020</u>
SAMAPCO	26,040	35,611
Lyondell Basell	58,692	40,866
Hanwha	7,273	5,619
Helm - Arabia	-	5,523
	<u>92,005</u>	<u>87,619</u>

35.3. Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation also includes the proportionate benefits of key management personnel of Sahara after business combination. The key management personnel compensation is as follows:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	10,298	12,313
End of service benefits	3,549	2,276
Thrift plan	1,170	672
Share based payment transactions	138	91
Total compensation related to key management personnel	<u>15,155</u>	<u>15,352</u>

35.4. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has assessed and recorded an impairment related to amounts owed by a related party. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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36. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES

Components of consolidated statement of financial position

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents - non-conventional		
Current Murabaha (including fixed term deposits)	1,301,250	1,544,350
Current accounts (excluding fixed term deposits)	1,389,140	952,521
	<u>2,690,390</u>	<u>2,496,871</u>
Long term investments - non-conventional	<u>251,896</u>	<u>260,622</u>
Short term investments - non-conventional	<u>20,223</u>	<u>318,115</u>
Borrowings - non-conventional	<u>5,374,292</u>	<u>7,053,371</u>
Borrowings - conventional	<u>-</u>	<u>352,329</u>

In March 2021, the Group refinanced the conventional borrowing and replaced it with a Shari'a compliant borrowing making all of its borrowings non-conventional.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements.

38. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2021 and the date of authorization of consolidated financial statements by Board of Directors which may have an impact on these consolidated financial statements.

As explained in Note 1, the Company noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organization at a time close to first quarter ended 31 March 2020. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts. Material changes if any will be reflected as part of the operating results and cash flows of the future reporting periods.