

**Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND NINE MONTH PERIODS  
ENDED 30 SEPTEMBER 2022**

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022

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**Independent auditor’s review report on the interim condensed consolidated financial statements  
To the shareholders of Saudi Chemical Holding company  
(A Saudi Joint Stock Company)**

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Chemical Holding Company – a Saudi Joint Stock Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 September 2022, and the related interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2022, and the related interim condensed consolidated statements of changes in shareholders’ equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

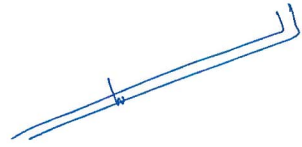
**Scope of Review:**

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

**Conclusion:**

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

for Ernst & Young Professional Services

  
Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. 354

Riyadh: 12 Rabi’ al Thani 1444H  
(6 November 2022)





Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 30 September 2022

	Notes	30 September 2022 SR '000 (Unaudited)	31 December 2021 SR '000 (Audited)
<b>Assets</b>			
<b>Non- current assets</b>			
Property, plant and equipment	3.1	433,497	459,497
Capital work in progress	3.2	704,013	606,581
Intangible assets and goodwill	3.3	614,547	476,073
Right of use assets		20,358	12,517
Derivative financial instruments	9	3,790	-
<b>Total non- current assets</b>		<b>1,776,205</b>	<b>1,554,668</b>
<b>Current assets</b>			
Inventories		1,118,645	1,152,761
Trade receivables	4	1,792,240	1,615,020
Prepayments and other current assets		241,109	179,081
Cash and cash equivalents		85,439	101,194
<b>Total current assets</b>		<b>3,237,433</b>	<b>3,048,056</b>
<b>Total assets</b>		<b>5,013,638</b>	<b>4,602,724</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital	5	843,200	843,200
Statutory reserve		333,846	333,846
General reserve		340,000	340,000
Retained earnings		157,411	100,585
<b>Equity attributable to equity holders of the parent</b>		<b>1,674,457</b>	<b>1,617,631</b>
Non-controlling interests		7,806	7,617
<b>Total Equity</b>		<b>1,682,263</b>	<b>1,625,248</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term Islamic loans	6.3	440,000	-
Saudi Industrial Development Fund's financing – non-current	6.1	342,506	352,707
Lease liabilities – non-current		13,459	7,858
Employee's defined benefit liabilities		60,806	59,403
<b>Total non-current liabilities</b>		<b>856,771</b>	<b>419,968</b>
<b>Current liabilities</b>			
Saudi industrial Development Fund's financing – current	6.1	21,000	8,000
Lease liabilities – current		3,582	2,689
Short-term Islamic loans	6.2	1,165,224	1,534,425
Trade payable		1,091,264	803,652
Accrued expenses and other liabilities		132,519	107,045
Zakat and income tax payable	7	47,709	46,229
Dividends payable		13,306	55,468
<b>Total current liabilities</b>		<b>2,474,604</b>	<b>2,557,508</b>
<b>Total liabilities</b>		<b>3,331,375</b>	<b>2,977,476</b>
<b>Total Equity and Liabilities</b>		<b>5,013,638</b>	<b>4,602,724</b>



  
Sameh Hassan  
Group CFO

  
Eng. Thamer Al-Muhaid  
Group CEO

  
Eng. Fahad S. Al-Jarbóu  
Chairman of BOD

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPERREHENSIVE INCOME  
For the three and nine-months periods ended 30 September 2022

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022 SR '000 (Unaudited)	2021 SR '000 (Unaudited)	2022 SR '000 (Unaudited)	2021 SR '000 (Unaudited)
Revenues		760,512	785,258	2,621,179	2,654,625
Cost of revenues		(667,023)	(693,231)	(2,286,503)	(2,305,992)
<b>Gross profit</b>		<b>93,489</b>	<b>92,027</b>	<b>334,676</b>	<b>348,633</b>
Selling and distribution expenses		(34,589)	(34,459)	(110,861)	(109,791)
General and administrative expenses		(23,256)	(23,824)	(70,926)	(77,236)
Expected credit loss on trade receivables	4	(12,811)	(2,100)	(32,825)	(22,000)
<b>Operating profit</b>		<b>22,833</b>	<b>31,644</b>	<b>120,064</b>	<b>139,606</b>
Financial cost		(14,817)	(10,258)	(40,168)	(32,371)
Other income (expenses), net		2,620	(722)	1,630	(342)
Foreign currency exchange (losses) gain		(1,104)	81	(5,397)	(101)
Revaluation gains on derivative financial instruments	9	8,381	-	3,790	-
<b>Profit before zakat and income tax</b>		<b>17,913</b>	<b>20,745</b>	<b>79,919</b>	<b>106,792</b>
Zakat and income tax expenses	7	(7,529)	(12,725)	(22,479)	(29,922)
<b>Net profit for the period</b>		<b>10,384</b>	<b>8,020</b>	<b>57,440</b>	<b>76,870</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>10,384</b>	<b>8,020</b>	<b>57,440</b>	<b>76,870</b>
<b>Net profit for the period attributable to:</b>					
Equity holders of the parent		10,324	7,753	56,826	75,848
Non-controlling interests		60	267	614	1,022
		<b>10,384</b>	<b>8,020</b>	<b>57,440</b>	<b>76,870</b>
<b>Basic and diluted earnings per share (SR)</b>	8	<b>0.12</b>	<b>0.09</b>	<b>0.67</b>	<b>0.90</b>

Sameh Hassan  
Group CFO

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Group CEO

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Chairman of BOD



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Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2022

Attributable to the equity holders of the parent

	Share capital SR '000	Statutory reserve SR '000	General reserves SR '000	Retained earnings SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000
<i>For the nine-month period ended 30 September 2021</i>							
At 31 December 2020 (Audited)	843.200	326.890	340.000	120.267	1,630.357	7.138	1,637.495
Net profit for the period	-	-	-	75.848	75.848	1,022	76.870
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	75.848	75.848	1,022	76.870
Dividends (Note 13)	-	-	-	(42,160)	(42,160)	(424)	(42,584)
At 30 September 2021 (Unaudited)	843.200	326.890	340.000	153.955	1,664,045	7,736	1,671,781
<i>For the nine-month period ended 30 September 2022</i>							
At 31 December 2021 (Audited)	843,200	333,846	340,000	100,585	1,617,631	7,617	1,625,248
Net profit for the period	-	-	-	56,826	56,826	614	57,440
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	56,826	56,826	614	57,440
Dividends (Note 13)	-	-	-	-	-	(425)	(425)
At 30 September 2022 (Unaudited)	843,200	333,846	340,000	157,411	1,674,457	7,806	1,682,263

Sameh Hassan  
Group CFO



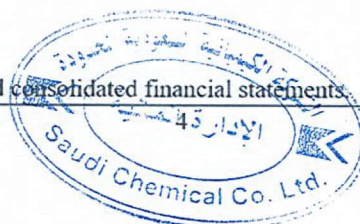
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Saudi Chemical Holding Company  
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the nine-months period ended 30 September 2022

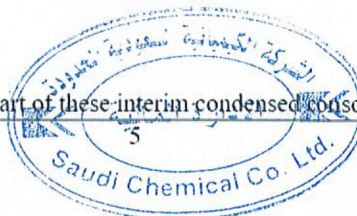
	<i>For the nine-month period ended 30 September</i>	
	2022 SR'000 (Unaudited)	2021 SR'000 (Unaudited)
<b>Operating activities</b>		
Profit before zakat and income tax and non-controlling interests	79,919	106,792
<b>Adjustments for:</b>		
Amortization of intangible assets	1,574	1,782
Depreciation of property, plant and equipment	29,777	30,830
Depreciation of right-of-use assets	2,717	1,713
Loss on sale of property, plant and equipment	329	-
Provision for slow-moving inventories	12,157	11,541
Expected credit loss on trade receivables	32,826	22,000
Provision for employees' defined benefit obligation	6,497	6,207
Revaluation gains on derivative financial instruments	(3,790)	-
Finance costs	40,168	32,371
Working capital changes:		
Inventories	21,958	335,689
Trade receivables	(210,045)	(492,056)
Prepayments and other current assets	(62,028)	(42,821)
Trade payables	287,611	(135,990)
Accrued expenses and other liabilities	25,444	3,607
<b>Cash from (used in) operations</b>	<b>265,114</b>	<b>(118,335)</b>
Employees defined benefit obligation paid	(5,094)	(9,640)
Zakat and income tax paid	(20,999)	(24,163)
Finance costs paid	(37,368)	(31,061)
<b>Net cash from (used in) operating activities</b>	<b>201,653</b>	<b>(183,199)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(140,048)	(1,594)
Purchase of property, plant and equipment and capital work in progress	(101,624)	(135,546)
Proceeds from disposal of property, plant and equipment	85	2
<b>Net cash used in investing activities</b>	<b>(241,587)</b>	<b>(137,138)</b>
<b>Financing activities</b>		
Payment of lease liabilities	(4,035)	(2,019)
Proceeds from long term Islamic loans	440,000	-
Change in short-term Islamic loans	(369,201)	277,544
Dividends paid	(42,585)	(42,584)
<b>Net cash from financing activities</b>	<b>24,179</b>	<b>232,941</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,755)</b>	<b>(87,396)</b>
Cash and cash equivalents at the beginning of the period	101,194	150,326
<b>Cash and cash equivalent at the end of the period</b>	<b>85,439</b>	<b>62,930</b>

  
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# Saudi Chemical Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 September 2022

### 1 CORPORATE INFORMATION AND ACTIVITIES

Saudi Chemical Holding Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010006161 dated 12 Safar 1392H (corresponding to 28 March 1972). The registered office of the Company is: P.O. Box 2665 Riyadh 11461, Kingdom of Saudi Arabia. The company is listed in Tadawul stock exchange.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in:

- Managing the subsidiaries or participating in the management of other investees and providing the required support for these entities and real estate ownership.
- Manufacturing and selling of explosives and their derivatives for civil or military uses and providing technical support services in explosions.
- Manufacturing, wholesale and retail trading in medicines, medical materials and syrups, pharmaceutical preparations, medical and surgical tools and equipment, supplies of hospitals and medical centers and its related spare parts and food items; and
- Manufacture of ammonium nitrate.

These interim condensed consolidated financial statements include the financial statements of the Company and the financial statements of its following subsidiaries:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Main Activity</i>	<i>Ownership %</i>	
			<i>30 September 2022</i>	<i>31 December 2021</i>
Saudi International Trading Company ("SITCO Pharma")	Kingdom of Saudi Arabia	Distribution of Medicines	99%	99%
Suez International Nitrate Company ("SINCO")	Arab Republic of Egypt	Production of Ammonium Nitrate	100%	100%
Chemical Company for Commercial Investment Limited ("CCCIL")	Kingdom of Saudi Arabia	Wholesale and retail trade in medicines and medical equipment	100%	100%
AJA Pharmaceuticals Industries Company Limited ("AJA Pharma Company")	Kingdom of Saudi Arabia	Establishment & Ownership of medical factories	100%	100%
Saudi Chemical Company Limited ("SCCL")	Kingdom of Saudi Arabia	Establishment & Ownership of explosive factories	100%	100%



# Saudi Chemical Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTUNED)

As at 30 September 2022

### 2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”), “Interim Financial Reporting” (“IAS 34”) as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of annual consolidated financial statements and therefore, should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

#### Basis of measurement and functional currency

These interim condensed consolidated financial statements are presented in thousands of Saudi Riyals (SR) unless stated otherwise. Saudi Riyal (SR) is also the functional currency of the Group. Saudi Riyal (SR) is the presentation currency of the Company and all its subsidiaries except for SINCO which uses United States Dollar (USD) as its presentation currency.

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparing the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the addition of derivative financial instruments accounting policy below which were acquired during the period.

#### **Derivative financial instruments**

The Group uses interest rate swaps to hedge its risks associated with interest rates. The hedges that do not meet the criteria for hedge accounting under IFRS 9 are measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the interim condensed consolidated statement of comprehensive income as they arise.

The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and effects of these changes are disclosed below.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

#### **IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTUNED)

As at 30 September 2022

**2 BASIS OF PREPARATION (CONTINUED)**

**2.2 ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS:**

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statements as of and for the year ended 31 December 2021.

**3 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS AND INTANGIBLE ASSETS**

**3.1 PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of the movement in property, plant and equipment:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>SR '000</b>	<b>SR '000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cost</b>		
Balance at the beginning of the period/year	<b>934,410</b>	913,363
Additions	<b>4,191</b>	8,466
Disposals	<b>(552)</b>	(930)
Transfers from capital work in progress	<b>-</b>	13,511
Balance at the end of the period/year	<b>938,049</b>	934,410
<b>Accumulated depreciation</b>		
Balance at the beginning of the period/year	<b>474,913</b>	434,580
Charge for the period/year	<b>29,777</b>	41,011
Disposals	<b>(138)</b>	(678)
Balance at the end of the period/year	<b>504,552</b>	474,913
<b>Net book value</b>	<b>433,497</b>	459,497

**3.2 CAPITAL WORK IN PROGRESS**

The following is a summary of the movement in Capital work in progress:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>SR '000</b>	<b>SR '000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period/year	<b>606,581</b>	423,884
Additions	<b>97,432</b>	196,208
Transfers to property, plant and equipment	<b>-</b>	(13,511)
Balance at the end of the period/year	<b>704,013</b>	606,581

Finance costs included in the cost of qualifying assets during the nine months ended 30 September 2022 amounted to SR 8 million (30 September 2021:SR 1.3 million).

Capital work in progress as of 30 September 2022 represents mainly the costs incurred in constructing the Group's pharmaceutical factory in Ha'il Industrial City, new explosives plant in Riyadh, as well as other projects undertaken to comply with security regulations. Refer to note 11.2 for the capital commitments associated with those projects. Both projects are expected to be completed during next year.

The Group's pharmaceutical factory in Ha'il and the new explosives plant in Riyadh including the buildings, machineries, vehicles and all related assets have been pledged to the benefit of SIDF to secure the related loans.

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
As at 30 September 2022

**3 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS AND INTANGIBLE ASSETS (CONTINUED)**

**3.3 INTANGIBLE ASSETS**

The following is a summary of the movement in Intangible assets:

	<i>New brand key money</i>	<i>Computer software</i>	<i>Goodwill</i>	<i>Other intangible assets*</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Cost</i>					
As at 1 January 2022	12,500	21,026	469,807	-	503,333
Additions	1,228	-	-	138,820	140,048
As at 30 September 2022	13,728	21,026	469,807	138,820	643,381
<i>Amortization and impairment</i>					
As at 1 January 2022	8,000	19,260	-	-	27,260
Amortization	1,240	334	-	-	1,574
As at 30 September 2022	9,240	19,594	-	-	28,834
<i>Net book value</i>					
As at 30 September 2022	4,488	1,432	469,807	138,820	614,547

\*The additions to other intangible assets represent the acquisition of certain pharmaceutical product the Kingdom of Saudi Arabia, and the subsidiary company Aja Pharmaceutical Industries (Aja Pharma) will be the manufacturer and supplier in the Saudi market.

	<i>New brand key money</i>	<i>Computer software</i>	<i>Goodwill</i>	<i>Other intangible assets*</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Cost</i>					
As at 1 January 2021	12,500	19,432	469,807	-	501,739
Additions	-	1,594	-	-	1,594
As at 31 December 2021	12,500	21,026	469,807	-	503,333
<i>Amortization and impairment</i>					
As at 1 January 2021	6,500	18,380	-	-	24,880
Amortization	1,500	880	-	-	2,380
As at 31 December 2021	8,000	19,260	-	-	27,260
<i>Net book value</i>					
As at 31 December 2021	4,500	1,766	469,807	-	476,073

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 September 2022

**4 TRADE RECEIVABLES**

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<b>SR '000</b>	<b>SR '000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>1,985,486</b>	1,775,865
Provision for impairment of trade receivable	<b>(193,246)</b>	(160,845)
<b>Total</b>	<b>1,792,240</b>	1,615,020

Trade receivables from Saudi government institutions represent 65% of the total trade receivables as of 30 September 2022 (31 December 2021: 60% of the total trade receivable). These institutions have a strong credit rating in the Saudi market.

The Group recognized an allowance for expected credit losses for trade receivables for the nine months period ended 30 September 2022 in the amount of SR 33 million (30 September 2021: SR 22 million).

**5 SHARE CAPITAL**

As at 30 September 2022, the share capital of the Company was SR 843,200,000 (31 December 2021: SR 843,200,000) which is comprised of 84,320,000 shares (31 December 2021: 84,320,000 shares) of SR 10 each.

**6 LOANS AND BORROWINGS**

**6.1 SAUDI INDUSTRIAL DEVELOPMENT FUND'S FINANCING**

The long-term loans were obtained by two subsidiaries of the Group from Saudi Industrial Development Fund ("SIDF") to meet the Group's capital expenditure. The first loan was obtained by AJA Pharmaceuticals Industries Limited ("AJA Pharma") during 2016 and amounted to SR 157.5 million, of which the full amount of the facility has been utilized as at 30 September 2022 (31 December 2021: SR157.5 million). The second loan was obtained by Saudi Chemical Company Limited ("SCCL") during 2020 and amounted to SR 229 million, of which the full amount of the facility has been utilized as at 30 September 2022 (31 December 2021: SR 229 million).

During 2021, AJA Pharma has defaulted on the repayment of two installments due on 28 January 2021 and 27 May 2021; respectively. As at 31 December 2021, AJA Pharma has restructured its agreement with SIDF to extend the maturity of the loan from September 2027 to August 2030. As part of the modification, the payment profile was also changed. Management has performed an analysis and believes that this does not result in the derecognition of the old borrowing. Management has discounted the present value of the new payment profile, which has resulted in a gain of SR 3.7 million, recorded under other income during the year ended 31 December 2021. Further, there is no change in the substance of the borrowing, apart from the change in the payment profile and extension of the tenure. The loan to AJA Pharma is repayable in sixteen semi-annual instalments starting from 15 Shawwal 1444 H (corresponding to 5 May 2023), while the loan to SCCL is repayable in fourteen semi-annual instalments starting from 15 Rabi Al-Thani 1444 H (corresponding to 9 November 2022).

The loans from SIDF carried fixed commission charges of SR 26.4 million, which have been paid upfront by the Group at the beginning of the loan term. The commission charges are being amortized over the terms of the loans. As at 30 September 2022, the unamortized balance amounted to SR 22.9 million (31 December 2021: SR 22.1 million).

The amortization of such qualified charges along with other finance costs of the loan are capitalized as part of the carrying value of the property, plant and equipment (during the construction period) or charged to profit or loss (post construction).

The agreements are secured promissory notes, and pledge of the subsidiaries' property, plant and equipment. The subsidiaries are required to comply with certain covenants under the loan facilities obtained.

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**6 LOANS AND BORROWINGS (CONTINUED)**

**6.1 SAUDI INDUSTRIAL DEVELOPMENT FUND'S FINANCING (CONTINUED)**

The following represents a summary of information about the Saudi Industrial Development Fund's:

	<i>30 September 2022 SR '000 (Unaudited)</i>	<i>31 December 2021 SR '000 (Audited)</i>
Loans from Saudi Industrial Development Fund	<b>386,500</b>	386,500
Less: Unamortized processing fees	<b>(22,994)</b>	(22,121)
Present value adjustment	-	(3,672)
	<b>363,506</b>	360,707
Current	<b>21,000</b>	8,000
Non-current	<b>342,506</b>	352,707
	<b>363,506</b>	360,707

**6.2 SHORT-TERM ISLAMIC LOANS**

The Group is using Islamic financing to finance its business operations. These facilities bear finance cost at SIBOR plus prevailing market rates. The facilities are secured by promissory notes. The facilities agreement includes covenants requiring the maintenance of certain levels of financial ratios, and one of the agreements includes acknowledge assignment of SIDF financing's proceeds in favor of lending bank.

**6.3 LONG TERM ISLAMIC LOANS**

In June 2022, the Group acquired a long-term Islamic loan from a local bank in the amount of SR 300 million to finance the construction of the subsidiary's factory. The loan is subject to the prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin. The loan is repayable in 6 years in quarterly installments after a grace period two years.

In June 2022, the Group acquired a long-term Islamic loan from a local bank in the amount of SR 140 million to finance its acquisition of a pharmaceutical product. The loan is subject to the prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin. The loan is repayable in equal 8 semi-annual installments with the last installment payable on September 2027 after a grace period of one year.

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**7 ZAKAT AND INCOME TAX**

**Movement in zakat and income tax provision during the period/year**

	<i>30 September 2022 SR '000 (Unaudited)</i>	<i>31 December 2021 SR '000 (Audited)</i>
As at the beginning period/year	<b>46,229</b>	34,207
Charged during the period/year	<b>22,479</b>	36,374
Paid during the period/year	<b>(20,999)</b>	(24,352)
<b>As at the end of the period/year</b>	<b>47,709</b>	46,229

Zakat and income tax provisions of SR 22.5 million were recognized by the Group during the nine months period ended 30 September 2022 (30 September 2021: SR 29.9 million).

The Group obtained the approval from Zakat, Tax and Customs Authority (“ZATCA”) to submit consolidated zakat returns for the holding company and the following subsidiaries: SCCL, AJA Pharma, and CCCIL starting from the year 2020. In addition, SITCO Pharma submits a separate zakat return.

The Group and SITCO Pharma have filed their zakat declarations and obtained zakat certificates for the years up to 2021.

As at 30 September 2022, the Group obtained the final zakat assessments from the ZATCA up to the year 2020, which resulted in an additional amount of SR 15.7 million included in the provision. The assessment is being contested by the Group in accordance with the relevant procedures.

During the year ended 31 December 2019, SITCO Pharma obtained the final zakat assessments for years up to 2017 from ZATCA.

**INCOME TAX**

The income tax expense payable by a foreign subsidiary, in accordance with the prevailing tax regulations in its country, for the period ended 30 September 2022 amounted to SR 63 thousand (31 December 2021: SR 63 thousand). The income tax payment for the period has been postponed until submission of the final tax returns.

**8 BASIC AND DILUTED EARNING PER SHARE**

Earnings per share is computed using net profit for the period attributable to Shareholders of the Group based on the weighted average number of shares outstanding during that period. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

**9 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments designated at fair value through interim condensed consolidated statement of comprehensive income represent a portfolio of floating rate loans which is economically hedged by derivatives. The maturity date is May 2027 with a floating rate of three months and SIBOR. The derivatives do not meet the criteria for hedge accounting. The fair value of the derivatives is SR 3.7 million (31 December 2021: nil). The change in the fair value of the derivative represents a gain of SR 8 million and SR 3.8 million for the three and nine month periods ended 30 September 2022, respectively (30 September 2021: nil).

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**10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

**10.1 Fair value Hierarchy**

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Company are carried at amortized cost except for derivative financial instruments. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

**10.2 Carrying amount vs Fair value**

	Fair value measurement hierarchy	30 September 2022 (Unaudited)		31 December 2021 (Audited)	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	3,790	3,790	-	-

The derivative financial instrument is carried at fair value using valuation techniques, which employ the use of market observable inputs.

The Group considers that the carrying amount of trade receivables, other assets, cash and cash equivalents, Saudi Industrial Development Fund's financing, long term Islamic loans, lease liabilities, short-term Islamic loans, trade payables, dividends payable, accrued expenses and other liabilities are a reasonable approximation of their fair value.

**11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

**11.1 CONTINGENT LIABILITIES**

A) As at 30 September 2022, the Group had outstanding letters of guarantee amounting to SR 299,5 million (31 December 2021: SR 243.5 million), issued in the normal course of business of the Group. Moreover, as at 30 September 2022, the Group had outstanding letters of credit amounting to SR 73 million (31 December 2021: SR 158.3 million).

B) The Group has contingent liabilities from time to time relating to certain disputed matters, including claims from and against contractors, litigation and arbitration proceedings involving a variety of cases. These contingent liabilities arose in the normal course of business. The management believes and with the consulting of its legal consultant that no significant obligations are expected to be incurred from these potential claims.

**11.2 COMMERCIAL AND CAPITAL COMMITMENTS**

Capital commitments outstanding as at 30 September 2022, in respect of capital work in progress projects of SR 136,9 million (31 December 2021: SR 151 million).

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**12 SEGMENTAL INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group evaluates segmental performance on the basis of profit or loss from operations. The Group's operations are principally in the explosives, medicines and medical supplies and production of ammonium nitrate, while the Head office includes operation of the holding company. Certain selected financial information for the above-mentioned business segments is summarized below. Except for the information related to the production of ammonium nitrate segment that is located in the Arab Republic of Egypt, all other information is related to the business segments in the Kingdom of Saudi Arabia. All inter-company transactions within the appropriately reported segments have been eliminated.

Revenues for the nine-month period ending 30 September 2022 include sales to one government customer, amounting to SR 588 million, or 25% of the total revenues (30 September 2021: SR 743 million, or 28% of the total revenues).

	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations / Adjustments</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>As at 30 September 2022 (Unaudited)</i>						
Segment assets	898,281	3,519,628	153,841	1,888,531	(1,446,643)	5,013,638
Segment liabilities	715,304	2,668,730	125,662	205,220	(383,541)	3,331,375
<i>As at 31 December 2021 (Audited)</i>						
Segment assets	844,542	3,305,437	151,075	1,766,055	(1,464,385)	4,602,724
Segment liabilities	690,626	2,458,411	126,052	147,872	(445,485)	2,977,476
	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations / Adjustments</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the three-month period ended 30 September 2022 (Unaudited)</i>						
Revenues	59,024	698,818	2,670	-	-	760,512
Intersegment revenue	-	14,241	11,681	-	(25,922)	-
<i>Net revenues</i>	59,024	713,059	14,351	-	(25,922)	760,512
<i>Segment comprehensive income (loss)</i>	11,571	(1,653)	5,847	15,108	(20,489)	10,384
	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations / Adjustments</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the nine-month period ended 30 September 2022 (Unaudited)</i>						
Revenues	203,610	2,409,706	7,863	-	-	2,621,179
Intersegment revenue	-	59,810	34,743	-	(94,553)	-
<i>Net revenues</i>	203,610	2,469,516	42,606	-	(94,553)	2,621,179
<i>Segment comprehensive income (loss)</i>	24,041	45,446	(1,094)	65,680	(76,633)	57,440



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**12 SEGMENTAL INFORMATION (CONTINUED)**

	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations / Adjustments</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>For the three-month period ended 30 September 2021 (Unaudited)</i>						
Revenues	59,251	722,239	3,768	-	-	785,258
Intersegment revenue	-	14,059	12,419	-	(26,478)	-
<i>Net revenues</i>	<i>59,251</i>	<i>736,298</i>	<i>16,187</i>	<i>-</i>	<i>(26,478)</i>	<i>785,258</i>
<i>Segment comprehensive income (loss)</i>	<i>2,495</i>	<i>17,275</i>	<i>(830)</i>	<i>10,691</i>	<i>(21,611)</i>	<i>8,020</i>

	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations / Adjustments</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>For the nine-month period ended 30 September 2021 (Unaudited)</i>						
Revenues	208,213	2,429,928	16,484	-	-	2,654,625
Intersegment revenue	-	38,323	29,574	-	(67,897)	-
<i>Net revenues</i>	<i>208,213</i>	<i>2,468,251</i>	<i>46,058</i>	<i>-</i>	<i>(67,897)</i>	<i>2,654,625</i>
<i>Segment comprehensive income (loss)</i>	<i>31,471</i>	<i>69,207</i>	<i>(1,589)</i>	<i>78,787</i>	<i>(101,006)</i>	<i>76,870</i>

**13 DIVIDENDS**

In its meeting held on 10 Shawwal 1443H (corresponding to 11 May 2022), the Ordinary General Assembly of the Company has authorized the Board of Directors to distribute interim dividends on a quarterly or semi-annual basis for the fiscal year 2022. It has also approved the Board of Director's remuneration for the year ended 31 December 2021 amounting to SR 2,020,800.

The Board of Directors, in its meeting held on 18 Jumada Al Awal 1442H (corresponding to 22 December 2021), approved the distribution of interim cash dividends amounting to SR 42,160,000 for the period ended 30 September 2021.

The Ordinary General Assembly, in its meeting held on 14 Shawwal 1442H (corresponding to 26 May 2021), approved the distribution of cash dividends amounting to SR 42,160,000 for the year ended 31 December 2021. The Company's Ordinary General Assembly also authorized the Board of Directors to distribute interim dividends on a quarterly or semi-annual basis for the fiscal year 2021.

**14 COMPARATIVE FIGURES**

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

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**15 SUBSEQUENT EVENTS**

The management of the Group believes that no significant events have occurred subsequent to the period end that may require adjustment to or disclosure in these interim condensed consolidated financial statements.

**16 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 11 Rabi Al Thani 1444H (corresponding to 5 November 2022).